

CAERUS RESOURCE CORPORATION
(An exploration stage company)

Consolidated Financial Statements
December 31, 2010 and 2009

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Caerus Resource Corporation (an exploration stage company) are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgement based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee, which is comprised primarily of non-management directors. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements as at December 31, 2010 and 2009 and for the years then ended have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"Adrian F.C. Hobkirk" (signed)

Adrian F.C. Hobkirk
Director

Vancouver, British Columbia
April 29, 2011

"Christopher Cherry" (signed)

Christopher Cherry
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CAERUS RESOURCE CORPORATION

We have audited the accompanying consolidated financial statements of Caerus Resource Corporation (an exploration stage company), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Caerus Resource Corporation as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$1,586,341 during the year ended December 31, 2010. This condition, along with other matters set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
April 29, 2011

CAERUS RESOURCE CORPORATION
(An exploration stage company)
Consolidated Balance Sheets
December 31

	2010	2009
Assets		
Current		
Cash and cash equivalents	\$ 634,627	\$ 146,123
Taxes recoverable	18,926	14,695
Amount receivable (note 13)	-	50,000
Prepaid expenses	1,597	-
	655,150	210,818
Deposit (note 10)	100,774	-
Equipment (note 5)	2,518	2,558
Mineral Interests (note 6)	347,330	16,500
	\$ 1,105,772	\$ 229,876
Liabilities		
Current		
Accounts payable and accrued liabilities (note 10)	\$ 175,633	\$ 208,942
Asset Retirement Obligation (note 7)	43,124	38,148
	218,757	247,090
Shareholders' Equity (Deficiency)		
Capital Stock (note 8)	23,333,957	21,530,531
Subscriptions Received in Advance (note 8(g))	5,625	-
Contributed Surplus (note 8(b))	2,934,594	2,253,075
Deficit	(25,387,161)	(23,800,820)
	887,015	(17,214)
	\$ 1,105,772	\$ 229,876

Commitments (note 12)
Subsequent events (note 14)

Approved by the Board:

"Adrian F.C. Hobkirk" (signed)
..... Director
Adrian F.C. Hobkirk

"Allen V. Ambrose" (signed)
..... Director
Allen V. Ambrose

CAERUS RESOURCE CORPORATION
(An exploration stage company)
Consolidated Statements of Operations and Deficit
Years Ended December 31

	2010	2009
Expenses		
Stock-based compensation (note 8(f))	\$ 573,162	\$ 304,414
Property investigation	245,902	6,459
Consulting and management fees (note 10)	197,676	164,841
Audit, accounting and legal	169,987	70,253
Investor relations	74,535	-
Travel	59,060	22,399
Shareholder communications	43,621	8,992
Office and miscellaneous	42,523	14,571
Transfer agent and listing fees	37,029	48,958
Directors' fees (note 10)	30,322	35,560
Accretion (note 7)	4,976	4,976
Amortization	700	940
Loss Before Undernoted Items	(1,479,493)	(682,363)
Interest income	1,784	-
Write-off of investment (note 13)	-	(242,899)
Write-off of mineral interests (note 6(a))	(16,500)	-
Foreign exchange gain (loss)	(42,132)	715
Impairment of amount receivable (note 13)	(50,000)	-
Net Loss and Comprehensive Loss for the Year	(1,586,341)	(924,547)
Deficit, Beginning of Year	(23,800,820)	(22,876,273)
Deficit, End of Year	\$ (25,387,161)	\$ (23,800,820)
Loss Per Share, basic and diluted	\$ 0.09	\$ 0.10
Weighted Average Number of Common Shares Outstanding	18,602,826	9,159,527

CAERUS RESOURCE CORPORATION
(An exploration stage company)
Consolidated Statements of Cash Flows
Years Ended December 31

	2010	2009
Operating Activities		
Net loss	\$ (1,586,341)	\$ (924,547)
Items not involving cash		
Amortization	700	940
Stock-based compensation	573,162	304,414
Write-off of amount receivable	50,000	-
Write-off of mineral interests	16,500	-
Accretion	4,976	4,976
Unrealized loss on foreign exchange	1,676	-
Write-off of investment	-	242,899
	(939,327)	(371,318)
Changes in non-cash working capital		
Taxes recoverable	(4,231)	(6,774)
Prepaid expenses	(1,597)	-
Accounts payable and accrued liabilities	(33,309)	61,116
	(39,137)	54,342
Cash Used in Operating Activities	(978,464)	(316,976)
Financing Activities		
Proceeds from shares issued, net of share issuance costs	1,911,783	763,369
Subscriptions received in advance	5,625	-
Cash Provided by Financing Activities	1,917,408	763,369
Investing Activities		
Investment in White Gold Corporation	-	(292,899)
Purchase of equipment	(660)	-
Deposit	(100,774)	-
Expenditures on mineral interests	(347,330)	(16,500)
Cash Used in Investing Activities	(448,764)	(309,399)
Foreign Exchange Effect on Cash	(1,676)	-
Net Change in Cash and Cash Equivalents	488,504	136,994
Cash and Cash Equivalents, Beginning of Year	146,123	9,129
Cash and Cash Equivalents, End of Year	\$ 634,627	\$ 146,123
Supplementary Cash Flow Information		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Non-cash items		
Stock-based compensation on agent warrants	\$ 120,172	\$ 56,044
Fair value of options exercised	\$ 11,815	\$ -
Shares issued for debt	\$ -	\$ 235,904

CAERUS RESOURCE CORPORATION
(An exploration stage company)
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

1. NATURE AND CONTINUANCE OF OPERATIONS

Caerus Resource Corporation (the "Company"), an exploration stage company, was incorporated under the laws of British Columbia on August 8, 1988. The Company is engaged in the acquisition and exploration of mineral properties in Colombia. Effective February 26, 2009, the Company consolidated its capital stock on the basis of one new share for every six old shares. All share and per share amounts have been adjusted retroactively to reflect the share consolidation unless otherwise noted.

The Company's consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast doubt on the validity of this assumption. The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition, exploration and development of mineral properties, is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and acquire mineral property interests. The outcome of these matters cannot be predicted at this time.

Further, the Company incurred a net loss of \$1,586,341 for the year ended December 31, 2010 (2009 - \$924,547). As at December 31, 2010, the Company had an accumulated deficit of \$25,387,161 (2009 - \$23,800,820) and working capital of \$479,517 (2009 - \$1,876).

The business of mineral exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead, pay its debts and liabilities, and maintain its mineral interests. The recoverability of amounts shown for mineral properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to continue exploration of these properties, and future profitable production or proceeds from disposition of mineral properties. The carrying value of the Company's mineral interests does not reflect current or future values.

These consolidated financial statements do not include any adjustments for the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are stated in Canadian dollars, which is the Company's functional and reporting currency.

(b) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated Colombian subsidiary, Minera Ophir Limitada ("Minera"). All intercompany balances and transactions have been eliminated.

CAERUS RESOURCE CORPORATION
(An exploration stage company)
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Cash equivalents

Cash equivalents consist of cashable guaranteed investment certificates ("GIC") that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(d) Mineral interests

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition, exploration and development are capitalized by project, net of recoveries. Costs are deferred until commencement of commercial production and will be depleted over the useful lives of the properties, or written off if the properties are abandoned or the claims are allowed to lapse.

The carrying values of mineral interests are reviewed by management at least annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

From time to time the Company may acquire or dispose of a mineral interest pursuant to the terms of an option agreement. As options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as mineral interests or recoveries when the payments are made or received. Recoveries in excess of mineral interests are reflected in income.

(e) Foreign currency translation

The Company's subsidiary is an integrated foreign operation. Foreign currency transactions are translated into the Company's functional currency (Canadian dollar) as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenue and expenses (excluding amortization, which is at the same rate as the related asset), at the rate on the date of transaction.

Gains and losses arising from this translation of foreign currency are included in net loss for the year.

CAERUS RESOURCE CORPORATION
(An exploration stage company)
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Equipment

Equipment is stated at cost, net of accumulated amortization. Amortization is provided on a declining-balance basis at the following annual rates:

Computer	- 30%
Furniture and fixtures	- 20%

In the year of acquisition, one-half of the annual rate is used.

(g) Asset retirement obligations ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred and it can be reasonably measured. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded.

(h) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral interests, with the offset credit to contributed surplus. For directors and employees the fair value is recognized over the vesting period, and for non-employees the fair value is recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock. The Company does not incorporate an estimated forfeiture rate for options that will not vest, but rather accounts for actual forfeitures when they occur.

(i) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

CAERUS RESOURCE CORPORATION
(An exploration stage company)
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Interest income

Interest income is recorded as earned on the accrual basis at the stated rate of interest.

(k) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(l) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 estimates include the collectibility of amount receivable, rates of amortization for equipment, recoverability of mineral interests, determination of AROs and environmental obligations, balance of accrued liabilities, assumptions used in calculating the fair value of stock-based compensation and the valuation of future income tax assets. While management believes these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(m) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(n) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in operations. Financial assets classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Financial instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition. When a decline in the fair value of an available-for-sale financial asset has been recognized in comprehensive income, and there is objective evidence that the impairment is other than temporary, the cumulative loss that had been previously recognized in accumulated other comprehensive income is removed from

CAERUS RESOURCE CORPORATION
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Years Ended December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial instruments (continued)

accumulated other comprehensive income and recognized in operations even though the financial asset has not been de-recognized.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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

(o) Future accounting changes

(i) International Financial Reporting Standards (“IFRS”)

In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its March 31, 2011 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended December 31, 2010.

(ii) Business Combinations

In January 2009, the Canadian Institute of Chartered Accountants issued Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”. These sections replace the former Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

CAERUS RESOURCE CORPORATION
(An exploration stage company)
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- (o) Future accounting changes (continued)
- (ii) Business Combinations (continued)

These new sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

3. FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as held-for-trading; amount receivable and deposit as loans and receivables; and accounts payable as other financial liabilities.

The carrying values of cash and cash equivalents, amount receivable, deposit and accounts payable approximate their fair values due to the short term to maturity of the instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

- (a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents and amount receivable. The Company's cash and cash equivalents are substantially held with a single major Canadian financial institution and with a major Colombian financial institution.

The Company's concentration of credit risk and maximum exposure thereto is as follows:

	2010	2009
Bank accounts in Canada	\$ 490,807	\$ 146,123
Cashable GIC	101,768	-
Bank account in Colombia	42,052	-
Amount receivable	-	50,000
	\$ 634,627	\$ 196,123

Included in cash equivalents at December 31, 2010 are cashable GICs earning interest at 0.5% and maturing February 25, 2011. The credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed with major financial institutions with strong investment-grade ratings by a primary ratings agency.

CAERUS RESOURCE CORPORATION
(An exploration stage company)
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

3. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

Liquidity risk is the risk the Company will be unable to meet its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities.

The Company's cash and cash equivalents at December 31, 2010 totalled \$634,627 (2009 - \$146,123). At December 31, 2010, the Company had accounts payable and accrued liabilities of \$175,633 (2009 - \$208,942). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk consists of interest rate risk, foreign currency risk and other price risk. The market risks the Company is exposed to are as follows:

(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents consist of cash held in bank accounts and a cashable GIC with fixed interest rates. Accordingly, the Company is exposed to interest rate price risk on its GIC. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2010.

Future cash flows from interest income on cash equivalents will not be affected by interest rate fluctuations due to cashable GICs having fixed interest rates.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's financial assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

CAERUS RESOURCE CORPORATION
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Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

3. FINANCIAL INSTRUMENTS (continued)

(c) Market risk (continued)

(ii) Foreign currency risk (continued)

The Company operates in Canada and Colombia and a portion of its expenses are incurred in Colombian pesos and US dollars. A significant change in the exchange rate between the Canadian dollar relative to the Colombian peso and US dollar could have a material effect on the Company's results of operations, financial position and cash flows. The Company does not manage currency risk through hedging or other currency management tools.

As at December 31, 2010 and 2009, the Company is exposed to currency risk through the following financial assets and liabilities denominated in Colombian pesos:

	2010		2009	
	Colombian pesos	\$	Colombian pesos	\$
Cash	84,104,932	42,052	-	-
Accounts payable	(14,112,635)	(7,056)	-	-
Net exposure	69,992,297	34,996	-	-

Assuming all other variables remain constant, a 17% (2009 - nil) weakening or strengthening of the Canadian dollar against the Colombian peso would result in a change of approximately \$6,000 (2009 - \$nil) to the statement of operations.

As at December 31, 2010 and 2009, the Company is exposed to currency risk through the following financial assets and liabilities denominated in US dollars:

	2010		2009	
	US \$	\$	US \$	\$
Cash	28,878	28,722	31,169	32,758

Assuming all other variables remain constant, a 7% (2009 - 17%) weakening or strengthening of the Canadian dollar against the US dollar would result in a change of approximately \$2,000 (2009 - \$6,000) to the statements of operations.

4. CAPITAL MANAGEMENT

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

CAERUS RESOURCE CORPORATION
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Years Ended December 31, 2010 and 2009

4. CAPITAL MANAGEMENT (continued)

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Although the Company has been successful at raising funds in the past through obtaining equity financing it is uncertain whether it can continue this financing.

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

There were no changes in the Company's approach to capital management during the year ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

5. EQUIPMENT

2010					
	Cost		Accumulated Amortization		Net
Computer	\$	7,240	\$	5,932	\$ 1,308
Furniture and fixtures		3,044		1,834	1,210
	\$	10,284	\$	7,766	\$ 2,518
2009					
	Cost		Accumulated Amortization		Net
Computer	\$	7,240	\$	5,370	\$ 1,870
Furniture and fixtures		2,384		1,696	688
	\$	9,624	\$	7,066	\$ 2,558

CAERUS RESOURCE CORPORATION
(An exploration stage company)
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

6. MINERAL INTERESTS

	Cachira	El Cafetal	San Pacho	Buritica	El Pino	Total
Balance, December 31, 2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition costs						
Property acquisition	16,500	-	-	-	-	16,500
Balance, December 31, 2009	16,500	-	-	-	-	16,500
Acquisition costs						
Property acquisition	0	7,828	25,750	51,500	10,300	95,378
	16,500	7,828	25,750	51,500	10,300	111,878
Expenditures						
Drilling	-	23,401	27,656	8,372	73,724	133,153
Field	-	10,313	12,188	13,660	32,491	68,652
Consulting	-	6,154	7,273	2,202	19,386	35,015
Travel costs	-	2,659	3,143	951	8,379	15,132
Expenditures for the year	-	42,527	50,260	25,185	133,980	251,952
Write-offs	(16,500)	-	-	-	-	(16,500)
Balance, December 31, 2010	\$ -	\$ 50,355	\$ 76,010	\$ 76,685	\$ 144,280	\$ 347,330

(a) Cachira, Colombia

Effective September 21, 2009, the Company entered into a Lease Purchase Option Agreement to acquire a 100% interest in approximately 500 hectares in the Cachira Department of Norte del Santander, Colombia, South America. The terms of the option agreement were as follows:

The terms for the option to purchase were payment of:

- (i) US \$15,000 on signing of the agreement (paid);
- (ii) US \$25,000 within 6 months from the effective date of the agreement;
- (iii) US \$50,000 within 12 months from the effective date of the agreement;
- (iv) US \$75,000 within 16 months from the effective date of the agreement;
- (v) US \$75,000 within 24 months from the effective date of the agreement;
- (vi) US \$100,000 within 36 months from the effective date of the agreement;
- (vii) US \$100,000 within 48 months from the effective date of the agreement; and
- (viii) The exploration period may be extended a further year for an additional payment of US \$100,000.

The property was subject to a 2% net smelter return royalty ("NSR"), which could be purchased for US \$1,000,000 per percentage point or US \$3,000,000 in total. At any time during the lease period the Company could purchase the project entirely for US \$8 per ounce of gold defined as a reserve, as per Canadian Institute of Mining, Metallurgy and Petroleum standards.

During 2010, the Company elected not to make the required option payments and wrote-off \$16,500 in mineral interests costs incurred to date.

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6. MINERAL INTERESTS (continued)

(b) El Cafetal, Colombia

On March 26, 2010, the Company entered into a Letter of Intent with Inversiones Midas Ltd. ("Inversiones") for the 100% acquisition of the El Cafetal mine, located in Valparaiso Municipality, Department of Antioquia, Colombia. The terms of the letter of intent are as follows:

- (i) US \$7,600 on execution of the letter of intent (paid);
- (ii) US \$125,000 and issuance of 250,000 common shares of the Company being issued at the time of signing of the agreement;
- (iii) US \$200,000 within one year from the effective date of the agreement;
- (iv) US \$400,000 within two years from the effective date of the agreement; and
- (v) US \$800,000 within three years from the effective date of the agreement.

Inversiones will retain 10% of all net profits upon commencement of commercial production. The price of purchase of the 10% net profits will be \$8 per ounce of gold determined by an independent feasibility study done on the property.

The transaction is subject to the approval of the TSX Venture Exchange.

(c) San Pacho, Colombia

On April 29, 2010, the Company entered into a Letter of Intent with Compania de Minas Providencia, S.A. ("Compania") for the 100% acquisition of the San Pacho mine, located in the Department of Quindio, Colombia. The terms of the letter of intent are as follows:

- (i) US \$25,000 non-refundable deposit at the signing of the letter of intent (paid);
- (ii) US \$200,000 and issuance of 1,000,000 common of the shares at the time of the signing of the agreement;
- (iii) US \$400,000 on the first anniversary of the effective date of the agreement;
- (iv) US \$800,000 on the second anniversary of the effective date of the agreement;
- (v) US \$1,575,000 on the third anniversary of the effective date of the agreement; and
- (vi) US \$1,000,000 on the fourth anniversary of the effective date of the agreement.

Upon completion of the feasibility study Compania will receive payment of US \$8.00 per ounce gold and/or 60 ounces of silver that is developed through exploration of the property.

The Company is awaiting the formal start of the due diligence period upon certification of legal title to the property. The transaction is subject to the approval of the TSX Venture Exchange.

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6. MINERAL INTERESTS (continued)

(d) Buritica, Colombia

On April 29, 2010, the Company entered into a Letter of Intent with Nancy Moreno for the 100% acquisition of the Buritica Gold Project, located in the Department of Antioquia, Colombia. The terms of the letter of intent are as follows:

- (i) US \$50,000 non-refundable deposit (paid) and issuance of 100,000 common shares being issued at the time of the signing of the letter of intent pending certification of legal title of the property;
- (ii) US \$150,000 and issuance of 200,000 common shares of the Company at the time of signing of the agreement;
- (iii) US \$300,000 on the first anniversary of the signing of the agreement; and
- (iv) US \$700,000 on the second anniversary of the signing of the agreement.

The transaction received approval of the TSX Venture Exchange subsequent to December 31, 2010.

(e) El Pino Gold Mine, Colombia

On March 24, 2010, the Company entered into a Letter of Intent with Luis Gonzalez for the 100% acquisition of the El Pino Gold Mine, located in the Department of Antioquia, Colombia. The terms of the letter of intent are as follows.

The terms for the option to purchase are payment of:

- (i) US \$10,000 non-refundable deposit at the time of the signing of the letter of intent (paid);
- (ii) US \$50,000 and issuance of 250,000 common shares of the Company at the closing date of the agreement (issued subsequent to year end);
- (iii) US \$200,000 on the first anniversary of the closing date of the agreement;
- (iv) US \$300,000 on the second anniversary of the closing date of the agreement;
- (v) US \$400,000 on the third anniversary of the closing date of the agreement; and
- (vi) Issuance of finder's fee of 20,000 common shares of the Company payable to agents at the time of closing of the agreement.

(f) Realization of assets

The investment in and expenditures on mineral interests comprise of a significant portion of the Company's assets. Realization of the Company's investment in mineral interests is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

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6. MINERAL INTERESTS (continued)

(g) Title to mineral interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(h) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

7. ASSET RETIREMENT OBLIGATION

The Company's ARO results from an interest in a natural gas exploration project abandoned in 2004 when the Company's interest in the project was written off. Management believed there would be no future ARO; however, based on information received in 2007, the Company estimated the total undiscounted amount of cash flows required to settle its ARO would be approximately \$39,000, which would be incurred in 2010. An inflation factor of 4% has been applied to the estimated asset retirement cost. A credit-adjusted, risk-free rate of 15% was used to calculate the fair value of the ARO. Management assesses the adequacy of the ARO on an annual basis. During the year ended December 31, 2010, the Company determined that there are no expected further obligations.

	2010	2009
Balance, beginning of year	\$ 38,148	\$ 33,172
Accretion expense	4,976	4,976
Balance, end of year	\$ 43,124	\$ 38,148

CAERUS RESOURCE CORPORATION
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8. CAPITAL STOCK

- (a) Authorized
 Unlimited number of common shares without par value
 Unlimited number of preferred shares with a par value of \$1 each
- (b) Issued and outstanding

	Number of Common Shares*	Amount	Contributed Surplus
Balance, December 31, 2008	4,701,799	\$ 20,571,753	\$ 1,908,166
Stock-based compensation	-	-	304,414
Issued for debt settlement (note 10(c))	1,147,700	235,904	-
Private placements	5,395,000	539,500	-
Non-cash share issuance cost	-	(56,044)	56,044
Cash share issuance cost	-	(44,965)	-
Fair value of warrants exercised	-	15,549	(15,549)
Warrants exercised	1,792,225	268,834	-
Balance, December 31, 2009	13,036,724	21,530,531	2,253,075
Stock-based compensation	-	-	573,162
Private placements	7,262,000	1,678,600	-
Non-cash share issuance cost	-	(120,172)	120,172
Cash share issuance costs	-	(146,464)	-
Fair value of options exercised	-	11,815	(11,815)
Warrants exercised	2,004,528	373,647	-
Options exercised	12,500	6,000	-
Balance, December 31, 2010	22,315,752	\$ 23,333,957	\$ 2,934,594

* Result of the share consolidation on the basis of one new share for every six old shares that was applied retroactively effective on February 26, 2009.

(c) Share issuances

During the year ended December 31, 2010, the Company had the following capital stock transactions:

- (i) On February 23, 2010, the Company closed a \$1,000,000 private placement. Under the placement, the Company issued 5,000,000 units; each unit is comprised of one common share and one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share for a period of two years at a price of \$0.30. A finder's fee of \$92,104 was paid. Non-cash share issue costs of 325,500 broker warrants, having the same terms as the unit warrants, have been fair valued at \$78,804 using the Black-Scholes pricing model. The assumptions used for the Black-Scholes valuation of the broker warrants were as follows: a risk-free interest rate of 1.34%, an expected life of two years, a dividend rate of 0% and an annualized volatility of 196.59%.

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8. CAPITAL STOCK (continued)

(c) Share issuances (continued)

- (ii) On November 2, 2010, the Company closed a \$678,600 private placement. Under the placement, the Company issued 2,262,000 units; each unit is comprised of one common share and one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share for a period of two years at a price of \$0.50. A finder's fee of \$54,360 was paid. Non-cash share issue costs of 181,200 broker warrants, having the same terms as the unit warrants, have been fair valued at \$41,368 using the Black-Scholes pricing model. The assumptions used for the Black-Scholes valuation of the finder's warrants were as follows: a risk free interest rate of 1.42%, an expected life of two years, a dividend rate of 0% and an annualized volatility of 160.67%.
- (iii) Issued 1,518,078 common shares at a price of \$0.15 per share and 486,450 common shares at a price of \$0.30 per share upon the exercise of warrants.
- (iv) Issued 12,500 common shares at a price of \$0.48 per share upon the exercise of options.

During the year ended December 31, 2009, the Company had the following capital stock transactions:

- (v) On April 23, 2009, the Company closed a \$240,000 private placement. Under the placement, the Company issued 2,400,000 units; each unit is comprised of one common share and one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share for a period of two years at a price of \$0.15. A 10% finder's fee of \$15,000 was paid. Non-cash share issue costs of 150,000 broker warrants have been fair valued at \$16,411 using the Black-Scholes pricing model. The assumptions used for the Black-Scholes valuation of the finder's warrants were as follows: a risk free interest rate of 0.98%, an expected life of two years, a dividend rate of 0% and an annualized volatility of 225.72%.
- (vi) On May 7, 2009, the Company closed a \$289,500 private placement. Under the placement, the Company issued 2,895,000 units; each unit is comprised of one common share and one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share for a period of two years at a price of \$0.15. A 10% finder's fee of \$28,950 was paid. Non-cash share issue costs of 214,500 broker warrants have been fair valued at \$38,042 using the Black-Scholes pricing model. The assumptions used for the Black-Scholes valuation of the finder's warrants were as follows: a risk free interest rate of 1.07%, an expected life of two years, a dividend rate of 0% and an annualized volatility of 227.37%.
- (vii) On May 20, 2009, the Company closed a \$10,000 private placement. Under the placement, the Company issued 100,000 units; each unit is comprised of one common share and one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share for a period of two years at a price of \$0.15. A 10% finder's fee of \$1,015 was paid. Non-cash share issue costs of 10,000 broker warrants have been fair valued at \$1,591 using the Black-Scholes pricing model. The assumptions used for the Black-Scholes valuation of the finder's warrants were as follows: a risk free

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8. CAPITAL STOCK (continued)

(c) Share issuances (continued)

(vii) (continued)

interest rate of 1.10%, an expected life of two years, a dividend rate of 0% and an annualized volatility of 227.09%.

(viii) Issued 1,147,700 common shares at a price of \$0.21 per share pursuant to a share for debt agreement dated April 21, 2009 (note 10(c)).

(ix) Issued 1,792,225 common shares at a price of \$0.15 per share upon the exercise of warrants.

(d) Shares held in escrow

A total of 4,462 shares issued are held in escrow at December 31, 2010 and 2009, the release of which is subject to the direction of the regulatory authorities having jurisdiction.

(e) Warrants outstanding

Share purchase warrants outstanding and exercisable are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2008	833,333	\$ 0.90
Expired	(833,333)	\$ 0.90
Issued	5,769,500	\$ 0.15
Exercised	(1,792,225)	\$ 0.15
Outstanding, December 31, 2009	3,977,275	\$ 0.15
Issued	7,768,700	\$ 0.36
Exercised	(2,004,528)	\$ 0.19
Outstanding, December 31, 2010	9,741,447	\$ 0.31

Share purchase warrants outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Number of Warrants	
		2010	2009
April 23, 2011*	\$ 0.15	149,422	1,667,500
May 7, 2011	\$ 0.15	2,209,775	2,209,775
May 20, 2011	\$ 0.15	100,000	100,000
February 23, 2012	\$ 0.30	4,839,050	-
November 2, 2012	\$ 0.50	2,443,200	-
Outstanding and exercisable, end of year		9,741,447	3,977,275
Weighted average remaining life of warrants outstanding		1.12 years	1.33 years

*Expired unexercised

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8. CAPITAL STOCK (continued)

(f) Stock options

The Company has a rolling stock option plan, which allows the board of directors to grant options to directors and officers, employees and consultants. Under the terms of the option plan, options may be granted to a maximum of 10% of the issued common shares, subject to Exchange acceptance. As at December 31, 2010, the Company has 188,209 (2009 - 219,505) stock options available for issuance.

As at December 31, 2010 and 2009, the following director, employee and consultant stock options were outstanding:

Expiry Date	Exercise Price	Number of Options Exercisable		Number of Options Outstanding	
		2010	2009	2010	2009
August 13, 2010 *	\$0.48	-	83,334	-	83,334
January 4, 2011 *	\$0.48	55,833**	85,833	55,833	85,833
January 30, 2011 *	\$0.48	40,000**	50,000	40,000	50,000
November 30, 2014	\$0.43	398,333	702,500	398,333	865,000
March 4, 2015	\$0.33	815,000	-	965,000	-
March 10, 2015	\$0.34	358,000	-	358,000	-
November 25, 2015	\$0.31	226,200	-	226,200	-
Outstanding, end of year		1,893,366	921,667	2,043,366	1,084,167
Weighted average remaining contractual life of options				4.01 years	4.10 years

* On November 23, 2009, the Company re-priced 85,833 options expiring January 4, 2011 with an original exercise price of \$1.08; 50,000 options expiring January 30, 2011 with an original exercise price of \$1.50; and 83,334 options expiring August 13, 2010 with an original exercise price of \$0.84 to a new exercise price of \$0.48.

** Expired unexercised except as disclosed in note 14 (a) (iii)

A summary of the status of the Company's outstanding stock options as at December 31, 2010 and 2009 and changes during the respective years are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2008	417,500	\$ 1.33
Repriced during the year	417,500	\$ 0.48
Cancelled	(27,500)	\$ 1.23
Granted	865,000	\$ 0.43
Expired	(170,833)	\$ 1.67
Outstanding, December 31, 2009	1,084,167	\$ 0.23
Exercised	(12,500)	\$ 0.48
Cancelled	(494,167)	\$ 0.43
Granted	1,549,200	\$ 0.33
Expired	(83,334)	\$ 0.48
Outstanding, December 31, 2010	2,043,366	\$ 0.36

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8. CAPITAL STOCK (continued)

(f) Stock options (continued)

During the year ended December 31, 2010, the Company granted a total of 1,549,200 (2009 - 865,000) stock options to directors, officers, employees and consultants and as a result stock-based compensation of \$573,162 (2009 - \$288,046) has been recognized in the accounts of the Company. The remaining stock-based compensation relates to the option re-pricing, which resulted in an incremental fair value of \$nil (2009 - \$16,368).

All options granted by the Company vest on the grant date, with the exception of options granted to consultants for investor relations. These options vest over twelve months with no more than one-quarter of the options vesting in any three-month period. A total of 150,000 options remain to be vested as at December 31, 2010.

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

The Company applies the fair value method using the Black-Scholes option pricing model to account for options granted to employees, directors and non-employees. The following assumptions were used to calculate the fair values of options and warrants issued during the year:

	2010	2009
Risk-free interest rate	2.64%	2.37%
Dividend yield	0.0%	0.0%
Volatility	145.96%	175.86%
Expected life	5 years	5 years
Grant date fair value per option	0.40	0.43

(g) Share subscriptions received

As at December 31, 2010, the Company has received \$5,625 in subscriptions pursuant to the future exercise of warrants for 37,500 shares at \$0.15 per share.

9. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2010	2009
Expected income tax recovery	\$ (452,107)	\$ (277,626)
Stock-based compensation	163,351	91,324
Change in timing differences	57,096	86,682
Adjustment due to effective tax rate attributable to income taxes in other countries	(7,003)	-
Effect of change in tax rate	30,572	144,645
Change in valuation allowance	208,091	(45,025)
Total income tax expense	\$ -	\$ -

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9. INCOME TAXES (continued)

The significant components of the Company's future income tax assets are as follows:

	2010	2009
Future income tax assets		
Tax value over book value of mineral interests	\$ 2,158,020	\$ 2,218,745
Non-capital loss carry-forwards	1,222,680	983,796
Tax value in excess of book value of equipment and website development costs	10,030	9,855
Book value in excess of tax value of asset retirement obligation	10,781	9,537
Share issue costs	36,950	12,561
	3,438,461	3,234,494
Valuation allowance	(3,438,461)	(3,234,494)
	\$ -	\$ -

The valuation allowance reflects the Company's estimate that the tax assets more likely than not will not be realized.

As at December 31, 2010, the Company has non-capital losses of approximately \$4,688,000 that may be applied against future income for Canadian income tax purposes. The Company has approximately \$155,628 in operating losses that may be carried forward to apply against future years' income for Colombia income tax purposes expiring in 2018. The losses expire as follows:

2014	\$ 768,000
2015	650,000
2026	577,000
2027	613,000
2028	570,000
2029	637,000
2030	873,000
	\$ 4,688,000

10. RELATED PARTY TRANSACTIONS

- (a) The Company incurred the following expenses charged by parties not at arm's-length to the Company:

	2010	2009
Consulting and management fees charged by directors and corporations under their control	\$ 186,676	\$ 164,841
Directors' fees	\$ 30,322	\$ 35,560

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10. RELATED PARTY TRANSACTIONS (continued)

- (b) Included in accounts payable and accrued liabilities is \$16,377 (2009 - \$48,588) due to directors, officers and corporations controlled by directors of the Company. The amount due to the related parties has no specific terms of repayment, is unsecured and non-interest-bearing.

All of the above transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- (c) The Company settled \$nil (2009 - \$235,904) of debt owed to certain directors and consultants by the issuance of 1,147,700 common shares at a stated value of \$0.21 per common share.
- (d) Included in deposit is \$100,774 (2009 - \$nil) paid to a company with common directors and officers for the potential acquisition of drilling equipment. As at December 31, 2010, the acquisition of this drilling equipment has not been finalized.

11. SEGMENTED INFORMATION

The Company has one operating segment, mineral exploration. The following geographic data includes assets based on their physical location. Geographic segmentation of the Company's assets are as follows:

2010	Colombia		Canada		Total
Mineral interests	\$	347,330	\$	-	\$ 347,330
Other		44,600		713,842	758,442
	\$	391,930	\$	713,842	\$ 1,105,772

2009	Colombia		Canada		Total
Mineral interests	\$	16,500	\$	-	\$ 16,500
Other		-		213,376	213,376
	\$	16,500	\$	213,376	\$ 229,876

12. COMMITMENTS

- (a) The Company has agreed to pay management fees of US \$8,000 monthly plus US \$500 per day in excess of 16 days in any one calendar month for services provided to the Company by a company controlled by a director. The agreement has no set expiry date; however, the Company must pay a sum equal to twelve months of fees upon notice of termination.
- (b) The Company entered into a services contract for investor relation services, which expired March 1, 2011, with a monthly fee of \$5,000 per month.

13. WHITE GOLD TRANSACTION

On July 8, 2009, the Company executed a Plan of Arrangement agreement to acquire 100% of the shares of White Gold Corporation ("White Gold"), a private Alberta corporation, engaged in gold exploration in Colombia. As part of the Plan of Arrangement, the Company paid White Gold \$100,000 of which \$50,000 is refundable in the event the Arrangement is not completed.

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13. WHITE GOLD TRANSACTION (continued)

On January 12, 2010, the Company received a notice of termination of the agreement to acquire 100% of the issued and outstanding shares of White Gold prior to the finalization of the Plan of Arrangement. In 2009 due to the uncertainty of the outcome of the matter, the Company wrote off \$242,899 of due diligence costs incurred with respect to the White Gold transaction. The \$50,000 refundable portion of this balance was recorded as a receivable in the accounts of the Company. In 2010 given the uncertainty of collectability of this amount, the Company has recorded a full allowance on this amount.

14. SUBSEQUENT EVENTS

- (a) Subsequent to December 31, 2010, the Company;
- (i) Issued 37,500 common shares at a price of \$0.15 per share upon the exercise of warrants (note 8 (g));
 - (ii) Issued 270,000 common shares pursuant to a property option agreement (note 6(e));
 - (iii) Issued 4,167 common shares at a price of \$0.48 per share upon the exercise of options;
 - (iv) Issued 2,025,030 common shares at a price of \$0.15 per share upon the exercise of warrants;
 - (v) Issued 47,000 common shares at a price of \$0.50 per share upon the exercise of warrants; and
 - (vi) Issued 440,550 common shares at a price of \$0.30 per share upon the exercise of warrants.
- (b) Entered into a share Purchase Joint Venture Option Agreement with Latam Investments Ltd. ("Latam") to earn-in up to an 80% interest in the Buritica North Project, located in the Municipality of Buritica, Department of Antioquia, Colombia.

In consideration of US \$15,000 to Latam, the Company has been granted a 60-day exclusivity period to complete its due diligence examinations of the Buritica North Project. Upon completion of the due diligence period, the Company, at its option, may elect to enter into a Share Purchase Joint Venture Option Agreement, as described further below.

The Company may choose to exercise the initial option to acquire a 20% interest by paying to Latam US \$35,000 and issuing to Latam 1,200,000 common shares and 600,000 common share purchase warrants. Each warrant will entitle the holder to acquire one common share of the Company at a price equal to 125% of the closing price on the last trading day prior to the date that the Company exercises the initial option. The warrants shall expire two years from the initial option exercise date. The shares and warrants will be subject to an escrow agreement. In addition, the Company must make quarterly payments to Latam in the amount of US \$12,500 and incur US \$150,000 in project exploration expenses during the first year.

Upon successful completion of the initial option the Company, at its option, may elect to exercise the first additional option. The first additional option to acquire a further 20% interest requires the Company to make quarterly payments to Latam in the amount of US \$37,500 and incur US \$350,000 in project exploration expenses during the second year.

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14. SUBSEQUENT EVENTS (continued)

(b) (continued)

Upon successful completion of the first additional option the Company, at its option, may elect to exercise the second additional option. The second additional option to acquire a further 20% interest requires the Company to make quarterly payments to Latam in the amount of US \$62,500 and incur US \$500,000 in project exploration expenses.

Upon successful completion of the second additional option the Company, at its option, may elect to exercise the third additional option. The third additional option to acquire a further 20% interest is granted for a period of two years, during which time the Company will be required to complete a feasibility study. Upon completion of the feasibility study, the parties will enter into a joint venture agreement for the further development of the project.

This agreement is subject to all regulatory approvals, including the approval of the Exchange, and the successful award of the two mining concession titles, which comprise the Buritica North Project.