

**Jayden Resources Inc.**  
(formerly Pinnacle Mines Ltd.)

**Consolidated Financial Statements**

For the year ended December 31, 2010

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## Contents

	<u>Page</u>
Independent Auditor`s Report	1
Consolidated Statements of Comprehensive Income	2
Consolidated Statements of Financial Position	3
Statements of Financial Position	4
Consolidated Statements of Changes in Equity	5 - 6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8-50



## INDEPENDENT AUDITOR'S REPORT

To the shareholders of Jayden Resources Inc.

We have audited the accompanying consolidated financial statements of Jayden Resources Inc. (formerly known as Pinnacle Mines Ltd.) (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated and company statements of financial position as at December 31, 2010 and December 31, 2009, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audits in accordance with International Standards on Auditing. 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 auditor's judgement, 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 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 positions of the Company and of the Group as at December 31, 2010 and December 31, 2009, and of the Group's financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

BDO Limited  
Certified Public Accountants  
25th Floor, Wing On Centre,  
111 Connaught Road Central,  
Hong Kong

March 30, 2011

**Jayden Resources Inc.**  
**(formerly Pinnacle Mines Ltd.)**  
**Consolidated Statements of Comprehensive Income**

		Year ended December 31,	
	Notes	2010	2009
		\$	\$
<b>Revenue</b>	7	-	-
Other revenue and net income	7	251,370	130,890
Administrative expenses	8	(4,954,849)	(765,988)
Other operating expenses	9	(4,493)	(864,835)
<b>Loss before income tax</b>		<b>(4,707,972)</b>	<b>(1,499,933)</b>
Income tax expense	10	-	-
<b>Loss for the year, attributable to the owners of the Company</b>		<b>(4,707,972)</b>	<b>(1,499,933)</b>
<b>Other comprehensive income, including reclassification adjustments</b>			
Gain on change in fair value of available-for-sale investments		4,534	145,079
Reclassification relating to disposal of available-for-sale investments		-	(122,506)
		4,534	22,573
<b>Total comprehensive income for the year, attributable to the owners of the Company</b>		<b>(4,703,438)</b>	<b>(1,477,360)</b>
<b>Loss per share for loss attributable to the owners of the Company</b>			
- Basic and diluted (Canadian cents)	11	(2.80)	(1.09)

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Jayden Resources Inc.**  
**(formerly Pinnacle Mines Ltd.)**  
**Consolidated Statements of Financial Position**

<b>The Group</b>	Notes	At December 31, 2010 \$	At December 31, 2009 \$	At January 1, 2009 \$
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	12	106,493	114,790	87,745
Exploration and evaluation assets	13	10,254,222	8,794,407	8,960,663
Deposits	16	40,000	40,000	55,000
		<b>10,400,715</b>	<b>8,949,197</b>	<b>9,103,408</b>
<b>Current assets</b>				
Other receivables	15	95,645	13,673	24,710
Prepaid expenses and deposits	16	415,742	23,069	24,426
Amount due from a related company	17	-	-	43,281
Available-for-sale investments	18	119,156	37,622	38,249
Cash and cash equivalents	19	424,549	814,228	2,395,763
		<b>1,055,092</b>	<b>888,592</b>	<b>2,526,429</b>
<b>Current liabilities</b>				
Amount due to a director	17	130	220	-
Amounts due to related companies	17	36,043	-	10,686
Payables and accruals	20	433,413	122,743	491,722
		<b>469,586</b>	<b>122,963</b>	<b>502,408</b>
<b>Net current assets</b>		<b>585,506</b>	<b>765,629</b>	<b>2,024,021</b>
<b>Total assets less current liabilities</b>		<b>10,986,221</b>	<b>9,714,826</b>	<b>11,127,429</b>
<b>Net assets</b>		<b>10,986,221</b>	<b>9,714,826</b>	<b>11,127,429</b>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	22	29,658,044	28,763,299	28,763,299
Reserves	23	(18,671,823)	(19,048,473)	(17,635,870)
<b>Total equity</b>		<b>10,986,221</b>	<b>9,714,826</b>	<b>11,127,429</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

Approved on Behalf of the Board

"Herrick Lau" Director  
Herrick Lau

"David Eaton" Director  
David Eaton

**Jayden Resources Inc.**  
**(formerly Pinnacle Mines Ltd.)**  
**Statements of Financial Position**

<b>The Company</b>	Notes	At December 31, 2010 \$	At December 31, 2009 \$	At January 1, 2009 \$
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	12	14,754	114,790	52,257
Exploration and evaluation assets	13	-	6,411,407	5,943,670
Interests in subsidiaries	14	9,577,427	2,383,000	2,632,500
Deposits	16	-	40,000	55,000
		9,592,181	8,949,197	8,683,427
<b>Current assets</b>				
Other receivables	15	43,998	13,673	24,710
Prepaid expenses and deposits	16	415,608	23,069	24,426
Amount due from a related company	17	-	-	43,281
Available-for-sale investments	18	119,156	37,622	38,249
Cash and cash equivalents	19	417,431	804,278	2,383,368
		996,193	878,642	2,514,034
<b>Current liabilities</b>				
Amount due to a director	17	130	220	-
Amounts due to related companies	17	22,051	-	10,686
Payables and accruals	20	421,207	122,743	300,547
		443,388	122,963	311,233
<b>Net current assets</b>		552,805	755,679	2,202,801
<b>Total assets less current liabilities</b>		10,144,986	9,704,876	10,886,228
<b>Net assets</b>		10,144,986	9,704,876	10,886,228
<b>EQUITY</b>				
Share capital	22	29,658,044	28,763,299	28,763,299
Reserves	23	(19,513,058)	(19,058,423)	(17,877,071)
<b>Total equity</b>		10,144,986	9,704,876	10,886,228

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Jayden Resources Inc.**  
**(formerly Pinnacle Mines Ltd.)**  
**Consolidated Statements of Changes in Equity**

	Shares		Share-based compensation reserve	Fair value reserve for available-for- -sale investments	Accumulated losses	Total
	Number of shares	Amount \$				
<b>At January 1, 2008</b>	25,123,647	23,059,612	703,691	-	(15,471,470)	8,291,833
Issued for acquisition of exploration and evaluation assets	13,750,000	2,472,500	-	-	-	2,472,500
Private placement, net of share issue costs of \$378,313	52,515,000	3,193,687	-	-	-	3,193,687
Financial advisory units	187,500	37,500	-	-	-	37,500
Fair value of agent's options	-	-	30,243	-	-	30,243
Share-based payments	-	-	17,724	-	-	17,724
Lapse of share options	-	-	(363,150)	-	363,150	-
<b>Transactions with owners</b>	<b>66,452,500</b>	<b>5,703,687</b>	<b>(315,183)</b>	<b>-</b>	<b>363,150</b>	<b>5,751,654</b>
<b>Loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,916,058)</b>	<b>(2,916,058)</b>
<b>Other comprehensive income</b>						
Loss on change in fair value of available-for-sale investments	-	-	-	(183,594)	-	(183,594)
Reclassification relating to impairment loss on available-for-sale investments	-	-	-	183,594	-	183,594
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,916,058)</b>	<b>(2,916,058)</b>
<b>At December 31, 2008 and January 1, 2009</b>	<b>91,576,147</b>	<b>28,763,299</b>	<b>388,508</b>	<b>-</b>	<b>(18,024,378)</b>	<b>11,127,429</b>
Cancellation of shares	(13)	-	-	-	-	-
Share-based payments	-	-	64,757	-	-	64,757
Lapse of share options	-	-	(283,700)	-	283,700	-
<b>Transactions with owners</b>	<b>(13)</b>	<b>-</b>	<b>(218,943)</b>	<b>-</b>	<b>283,700</b>	<b>64,757</b>
<b>Loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,499,933)</b>	<b>(1,499,933)</b>
<b>Other comprehensive income</b>						
Gain on change in fair value of available-for-sale investments	-	-	-	145,079	-	145,079
Reclassification relating to disposal of available-for-sale investments	-	-	-	(122,506)	-	(122,506)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,573</b>	<b>(1,499,933)</b>	<b>(1,477,360)</b>
<b>At December 31, 2009 and January 1, 2010</b>	<b>91,576,134</b>	<b>28,763,299</b>	<b>169,565</b>	<b>22,573</b>	<b>(19,240,611)</b>	<b>9,714,826</b>

**Jayden Resources Inc.**  
**(formerly Pinnacle Mines Ltd.)**  
**Consolidated Statements of Changes in Equity (continued...)**

	Shares		Share-based compensation reserve	Fair value reserve for available-for- -sale investments	Accumulated losses	Total
	Number of shares	Amount \$				
Rights offering, net of share issue costs of \$3,684,062	91,576,134	894,745	3,449,070	-	-	4,343,815
Share-based payments	-	-	1,631,018	-	-	1,631,018
Lapse of share options			(62,600)		62,600	-
<b>Transactions with owners</b>	91,576,134	894,745	5,017,488	-	62,600	5,974,833
<b>Loss for the year</b>	-	-	-	-	(4,707,972)	(4,707,972)
<b>Other comprehensive income</b>						
Gain on change in fair value of available-for-sale investments	-	-	-	4,534	-	4,534
<b>Total comprehensive income for the year</b>	-	-	-	4,534	(4,707,972)	(4,703,438)
<b>At December 31, 2010</b>	183,152,268	29,658,044	5,187,053	27,107	(23,885,983)	10,986,221

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Jayden Resources Inc.**  
**(formerly Pinnacle Mines Ltd.)**  
**Consolidated Statements of Cash Flows**

	Notes	Year ended December 31,	
		2010	2009
		\$	\$
<b>Cash flows from operating activities</b>			
Loss for the year before income tax		(4,707,972)	(1,499,933)
Adjustments for:			
Depreciation	8	7,603	18,018
Bank interest income	7	(8,777)	(5,681)
Gain on disposal of available-for-sale investments	7	-	(122,506)
Loss on disposal of property, plant and equipment	9	-	21,350
Gain on disposal of exploration and evaluation assets	7	(231,342)	-
Share-based payments	8	1,631,018	64,757
Provision for impairment loss of exploration and evaluation assets	9	-	827,446
Write-down of environmental reclamation deposits	9	-	15,000
Provision for impairment loss of property, plant and equipment	9	4,493	1,039
Operating loss before working capital changes		(3,304,977)	(680,510)
(Increase)/decrease in other receivables		(81,972)	11,037
(Increase)/decrease in prepaid expenses and deposits		(392,673)	1,357
Decrease in amount due from a related company		-	43,281
(Decrease)/increase in amount due to a director		(90)	220
Increase/(decrease) in amounts due to related companies		36,043	(10,686)
Increase/(decrease) in payables and accruals		310,670	(368,979)
Net cash used in operating activities		(3,432,999)	(1,004,280)
<b>Cash flows from investing activities</b>			
Acquisition of exploration and evaluation assets		(1,460,473)	(982,848)
Recoveries of IVA taxes		-	121,658
Proceeds from disposal of exploration and evaluation assets		155,000	200,000
Proceeds from disposal of available-for-sale investments		-	145,706
Proceeds from disposal of property, plant and equipment		-	31,931
Purchase of property, plant and equipment		(3,799)	(99,383)
Interest received		8,777	5,681
Net cash used in investing activities		(1,300,495)	(577,255)
<b>Cash flow from financing activity</b>			
Proceeds from issuance of shares		4,343,815	-
Net cash generated from financing activity		4,343,815	-
<b>Net decrease in cash and cash equivalents</b>		(389,679)	(1,581,535)
Cash and cash equivalents at the beginning of the year		814,228	2,395,763
Cash and cash equivalents at the end of the year		424,549	814,228
<b>Analysis of balances of cash and cash equivalents:</b>			
Cash and bank balances		407,299	814,228
Cashable guaranteed investment certificates		17,250	-
		424,549	814,228

Supplementary cash flow information (Note 27)

The accompanying notes are an integral part of these Consolidated Financial Statements.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 1. Nature of and continuance of operations

Jayden Resources Inc. (formerly Pinnacle Mines Ltd.) (the "Company") was incorporated under the laws of the Province of British Columbia. On December 9, 2010, the Company graduated from the TSX Venture Exchange to the TSX Exchange ("TSE") where the shares are traded under the symbol JDN. The Company, together with its subsidiaries (collectively referred to as the "Group"), is principally engaged in the business of acquiring, exploring and developing interests in mining projects. To date, the Group has not generated revenues from its principal activities and is considered to be in the exploration stage.

The Group is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Group's continuing operations, and the recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The head office and principal address of the Company are located at Suite 1980, 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9. The registered and records office are located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

### 2. Basis of Presentation

#### (a) Basis of preparation and presentation

The consolidated financial statements are presented in Canadian Dollars ("CDN\$"), which is the functional currency of the Company.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collectively includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (the "IASB"), and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB, effective for the Company's reporting for the year ended December 31, 2010.

Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The comparative figures presented in these financial statements are in accordance with IFRSs and any changes from figures previously reported under Canadian GAAP have been discussed in Note 3.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in Note 2(b).

The financial statements have been prepared under the historical cost basis except for the financial instruments classified as available-for-sale investments which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 2. Basis of Presentation (continued)

#### (b) Adoption of new or amended IFRSs

The IASB has issued a number of new and revised IASs, IFRSs, amendments and related interpretations (“IFRICs”) (hereinafter collectively referred to as the “new IFRSs”) which were relevant to the Group and became effective during the year.

With the exception of the Group early adopting the amended disclosure requirements in relation to operating segments as included in the “Annual Improvements to IFRSs 2009”, the Group has not early adopted the following IFRSs that have been issued but are not yet effective.

IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>6</sup>
IAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
IAS 32 (Amendment)	Classification of Rights Issues <sup>2</sup>
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters <sup>3</sup>
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>5</sup>
IFRS 7 (Amendments)	Disclosure – Transfer of Financial Assets <sup>5</sup>
IFRS 9	Financial Instruments <sup>7</sup>
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>
Improvements to IFRSs	Annual Improvements to IFRSs 2010 <sup>1</sup>

<sup>1</sup> Generally effective for annual periods beginning on or after 1 July 2010 and 1 January 2011 unless otherwise stated in the specific IFRS

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013

Information on new and amended IFRSs that are expected to have an impact on the Group’s accounting policies is provided below.

IFRS 9, Financial Instruments, introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognized financial assets that are within the scope of IAS 39, Financial Instruments: Recognition and Measurement, to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group’s financial assets.

The directors are in the process of assessing the impact of other new or revised IFRSs upon initial adoption. So far, the directors have preliminarily concluded that the initial adoption of these IFRSs is unlikely to have a significant impact on the Group’s results and financial positions.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 3. Summary of differences between IFRSs and GAAP

The Group has adopted IFRS on January 1, 2010 with a transition date of January 1, 2007. Under IFRS 1 *"First-time Adoption of International Financial Reporting Standards"*, IFRSs are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings unless certain exemptions are applied.

Below is the Group's Consolidated Statement of Financial Position as at the transition date of January 1, 2007 prepared under IFRSs.

<b>The Group</b>	At January 1, 2007
	\$
<b>ASSETS AND LIABILITIES</b>	
<b>Non-current assets</b>	
Property, plant and equipment	24,969
Exploration and evaluation assets	4,340,703
Deposits	15,000
	<hr/>
	4,380,672
<b>Current assets</b>	
Prepaid expenses and deposits	30,942
Other receivables	298,729
Available-for-sale investments	158,587
Cash held in trust	932,066
Cash and cash equivalents	2,650,661
	<hr/>
	4,070,985
<b>Current liability</b>	
Payables and accruals	151,032
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<b>Net current assets</b>	3,919,953
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<b>Total assets less current liabilities</b>	8,300,625
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<b>Net assets</b>	8,300,625
	<hr/>
<b>EQUITY</b>	
<b>Equity attributable to owners of the Company</b>	
Share capital	21,556,288
Reserves	(13,255,663)
	<hr/>
<b>Total equity</b>	8,300,625

The consolidated financial statements prepared under IFRSs and that prepared under Canadian GAAP for periods beginning on January 1, 2007 have the following major differences:

- (i) The Company purchased Tenajon Resources Corporation's ("Tenajon") wholly-owned subsidiary, Jayden Resources (Canada) Inc. (formerly 0781639 B.C. Ltd.) ("Jayden Canada") which at that time held an undivided 40% ownership in the Kansas property and a 100% ownership interest in the Summit Lake property. Under IFRSs, the deferred income tax liability that arose from this transaction, which was not a business combination, should not be recognized. Canadian GAAP requires the recognition of the deferred income tax liability and an adjustment to the carrying value of the asset purchased by the same amount.

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 3. Summary of differences between IFRSs and GAAP (continued...)

- (ii) Under IFRSs, all financial instruments categorized as available-for-sale investments are stated at fair value. Canadian GAAP implemented a requirement of fair valuation which was only effective for the financial years beginning after October 1, 2006.
- (iii) Under IFRSs, share-based payment transactions which are subject to graded vesting should have the separate tranches valued and amortized over the respective vesting periods separately as if each tranche was a separate award. Canadian GAAP allows the entire award to be valued together and to be amortized on a straight-line basis over the vesting time of the entire award.
- (iv) Under IFRSs, flow-through instruments are accounted for as combined instruments comprising a liability component and an equity instrument upon issuance of the flow-through instruments. Upon renunciation of the expenditures for Canadian income tax purposes, the liability is reversed and recognized as deferred tax liabilities. Liability component related issue costs were charged to profit or loss in 2007. Under Canadian GAAP, flow-through instruments are accounted for as equity instruments only. Upon renunciation of the expenditures for Canadian income tax purposes, a taxable temporary difference effected at the issuer's applicable tax rate is recorded and charged to equity as cost of issuance of flow-through instruments.

The differences between IFRSs and Canadian GAAP are summarized as follows:

	January 1,	December 31,		
	2007	2007	2008	2009
	\$	\$	\$	\$
Total assets under Canadian GAAP	8,441,755	9,415,124	12,554,837	10,670,289
Adjustments for different accounting treatments:				
(i) Adjustment for deferred income tax liability	-	-	(925,000)	(925,000)
(ii) Unrealized gain on available-for-sale investments	9,902	-	-	-
Other adjustments for exploration and evaluation assets	-	-	-	92,500
Total assets under IFRSs	8,451,657	9,415,124	11,629,837	9,837,789
Total liabilities under Canadian GAAP	151,032	443,291	1,427,408	922,963
Adjustments for different accounting treatments:				
(i) Adjustment for deferred income tax liability	-	-	(925,000)	(800,000)
(iv) Difference in treatment of flow-through instruments	-	680,000	-	-
Total liabilities under IFRSs	151,032	1,123,291	502,408	122,963
Total equity under Canadian GAAP	8,290,723	8,971,833	11,127,429	9,747,326
Adjustments for different accounting treatments:				
(i) Adjustment for deferred income tax liability	-	-	-	(125,000)
(ii) Unrealized gain on available-for-sale investments	9,902	-	-	-
(iv) Difference in treatment of flow-through instruments	-	(680,000)	-	-
Other adjustments for exploration and evaluation assets	-	-	-	92,500
Total equity under IFRSs	8,300,625	8,291,833	11,127,429	9,714,826

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 3. Summary of differences between IFRSs and GAAP (continued...)

	Years ended December 31,		
	2007	2008	2009
	\$	\$	\$
Loss for the year under Canadian GAAP	(1,613,687)	(2,811,635)	(1,661,307)
Adjustments for different accounting treatments:			
(i) Adjustment for deferred income tax liability	-	-	(125,000)
(iii) Adjustment for share-based compensation	73,487	9,308	(59)
(iv) Difference in treatment of flow-through instruments	(65,945)	30,000	-
Other adjustments:			
Adjustment for impairment loss of available-for-sale investments	(175,997)	(183,594)	-
Adjustment for reversal of unrealized loss on disposal of available-for-sale investments	-	39,863	193,933
Adjustment for exploration and evaluation assets	-	-	92,500
Loss for the year under IFRSs	(1,782,142)	(2,916,058)	(1,499,933)

### 4. Significant accounting policies

#### Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its controlled wholly-owned subsidiaries, Minera Pinnacle de Mexico S.A. de C.V. ("Pinnacle Mexico") and Jayden Canada. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Pinnacle Mexico is in the process of deregistration.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

#### Subsidiaries

In the financial statements, acquisition of subsidiaries (other than those under common control) is accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group's accounting policies.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognized in the Company's profit or loss.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 4. Significant accounting policies (continued...)

#### Acquisition of subsidiaries

When the Group acquires a subsidiary where the underlying assets are not integrated in forming a business to generate revenues, the transaction is accounted for as a purchase of net assets. The cost of the acquisition is allocated to the identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition and no goodwill is recognized.

#### Interest income

Interest income from financial assets is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

#### Foreign currencies

The Company's reporting and functional currency and that of its Canadian subsidiary, Jayden Canada, is the Canadian dollar as this is the principal currency of the economic environment in which the Company and its subsidiary operate. The functional currency of Pinnacle Mexico is the Canadian dollar as Pinnacle Mexico is considered an extension of the operations of the Company.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange in effect at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

#### Financing costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are recognized in profit or loss.

#### Property, plant and equipment

Property, plant and equipment, other than land, is recorded at cost less accumulated depreciation. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

Depreciation is calculated using the declining balance method to write off the cost of asset, less the estimated residual value, at the following rates:

Computer equipment	30%
Other equipment	20%
Software	100%
Vehicles	30%
Mining equipment	20%
Building	4%

Land is stated at acquisition cost less any impairment losses. Land is not depreciated.

The assets' residual values, depreciation methods and useful lives are reviewed and adjusted if appropriate at each reporting date.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 4. Significant accounting policies (continued...)

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

#### Exploration and evaluation assets

The Group's exploration and evaluation assets are intangible assets relating to mineral rights acquired and exploration and evaluation expenditure capitalized in respect of projects that are at the exploration/pre-development stage.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development assets in property, plant and equipment upon the commencement of mine development.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

Exploration and evaluation expenditure related to an area of interest where the Group has tenure are capitalized as intangible assets and are initially recorded at cost less impairment.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with IAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to abandon or discontinue such activities in the specific area.
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 4. Significant accounting policies (continued...)

#### Decommissioning and rehabilitation liabilities

The Group recognizes a decommissioning and restoration liability in the year in which it is incurred when a reasonable estimate of value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the decommissioning and restoration liability due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in profit or loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Group did not have any significant decommissioning and restoration obligations at the reporting dates.

#### Share-based payments

The share option plan allows Group employees (including directors and senior executives) and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a period recognized in profit or loss represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognized for awards that do not ultimately vest.

At the time when the share options are exercised, the amount previously recognized in share option reserve is transferred to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in share option expense is transferred to accumulated losses.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

#### Warrants issued in equity financing transactions

The Group engages in equity financing transaction to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common share and a certain number of warrant. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned nil value and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 4. Significant accounting policies (continued...)

#### Taxation

##### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

##### (b) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit of loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 4. Significant accounting policies (continued...)

#### Flow-through instruments

Canadian tax legislation permits a company to issue flow-through instruments whereby the deduction for tax purposes relating to qualified resource expenditures could be claimed by the investors rather than the company.

A flow-through instrument comprises transfer of tax deductions and common shares. Proceeds from an issuance of a flow-through instrument are allocated to liability and equity components in proportion, according to their respective fair values at the date of issuance. Upon renunciation of the flow-through expenditures for Canadian income tax purposes, the related flow through liability recognized in previous periods in the consolidated statement of financial position will be reversed and recorded as deferred tax liabilities.

#### Financial assets

The Group's accounting policies for financial assets other than the Company's interests in subsidiaries are set out below.

Financial assets are classified into the categories of loans and receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognized when, and only when, the Group becomes a party to the contractual provisions of the instrument. Purchases of financial assets, in the normal course of business, are recognized on trade date. When financial assets are recognized initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognized based on the classification of the financial asset.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

#### (ii) Available-for-sale investments

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income, is recognized in other comprehensive income and accumulated separately in the fair value reserve for available-for-sale investments in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognized, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognized in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in other comprehensive income.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 4. Significant accounting policies (continued...)

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

#### Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognized as follows:

#### (i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognized in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss of the period in which the reversal occurs.

#### (ii) Available-for-sale investments

When a decline in the fair value of an available-for-sale investments has been recognized in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognized in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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#### 4. Significant accounting policies (continued...)

Reversals in respect of investment in equity instruments classified as available-for-sale financial assets and stated at fair value are not recognized in the profit or loss. The subsequent increase in fair value is recognized in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. Reversal of impairment losses in such circumstances are recognized in profit or loss.

#### Financial liabilities

The Group's financial liabilities include payables and accruals and amounts due to a director and related companies.

Financial liabilities are recognized when and only when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in profit or loss.

#### *Payables and accruals and amounts due to a director and related companies*

Payables and accruals and amounts due to a director and related companies are recognized initially at their fair values and subsequently measured at amortized costs, using the effective interest method.

#### Impairment of non-financial assets (other than exploration and evaluation assets)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less when acquired, which are readily convertible into a known amount of cash and which are subject to an insignificant risk of change in value. The cash and cash equivalents are mainly denominated in Canadian dollars.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 4. Significant accounting policies (continued...)

#### Provisions and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Contingent liabilities are recognized in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognized in a comparable provision as described above and the amount initially recognized less any accumulated amortization, if appropriate.

#### Related party transactions

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a participant;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

#### Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease, if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 4. Significant accounting policies (continued...)

#### *Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are recognized in profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

#### **Share capital**

Shares are classified as equity.

Any transaction costs associated with the issuing of shares are deducted from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

#### **Employee benefits**

##### *Retirement benefits*

Retirement benefits to employees are provided through defined contribution plans.

The Group contributes to a retirement benefit plan, administered by the federal government for the benefit of the Group's eligible employees. Contributions are made, according to government regulation, based on a percentage of the employees' basic salaries.

Contributions are recognized as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

##### *Short-term employee benefits*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognized until the time of leave.

#### **Jointly controlled assets**

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The joint venture involves that joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or constructed or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture. The joint venture does not involve the establishment of a corporation, partnership or other entity. Each party takes a share of the output from the assets, each bears an agreed share of the expenses incurred.

In respect of the Group's interest in jointly controlled assets, the Group recognized in its consolidated financial statements, on a line-by-line basis with similar items, its share of the jointly controlled assets, classified according to the nature of the assets; any liabilities that it has incurred; its share of any liabilities incurred jointly with the other venturers in relation to the joint venture; any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and any expenses that it has incurred in respect of its interest in the joint venture.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 4. Significant accounting policies (continued...)

#### Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. All of the Group's contributions to its operating results during the reporting periods are attributable to its single operating segment of acquisition, exploration and development of mineral properties in Canada and Mexico.

The measurement policies the Group uses for reporting segment results under IFRS 8 are the same as those used in its financial statements prepared under IFRSs.

### 5. Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### *Depreciation*

The Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets. The Group depreciates its property, plant and equipment in accordance with the accounting policies stated in Note 4. The carrying amount of the property, plant and equipment is disclosed in Note 12.

##### *Asset retirement obligations*

The Group recognises the liability for an asset retirement obligation. The relevant costs in associated with the assets retirement obligations are estimated based on the Group's interpretation of current regulatory requirements. Based on the assessment, the Group did not have any significant asset retirement obligations at the reporting dates.

#### Critical judgements in applying the Group's accounting policies

The following is the critical judgement, apart from those involving estimations that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

##### *Exploration and evaluation assets*

When there are events or changes in the circumstances which indicate the carrying amount of the exploration and evaluation assets may not be recoverable, the Group will take into consideration of the recoverable amounts of the relevant cash generating unit ("CGU"). After taking into account the current economic environment, the management reviews the developing projects and exploration plans and confirms that there is no indicator for impairment on the exploration and evaluation assets of the Group at the reporting dates.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 5. Critical accounting judgements and estimates (continued...)

#### *Impairment of available-for-sale investments*

For available-for-sale investments, a significant or prolonged decline in fair value below its cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant and/or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account.

### 6. Segment information

The chief operating decision-maker has been identified as the Company's directors. The Group's principal activity is acquisition, exploration and development of mineral properties. The directors regard it as the single business segment and no segment information is presented.

The Group did not derive any revenue from its principal activity during the years. The Group's non-current assets are divided into the following geographical locations:

	Canada	Mexico	Total
	\$	\$	\$
	(domicile)		
<b>Non-current assets</b>			
Exploration and evaluation assets	8,225,427	735,236	8,960,663
Property, plant and equipment	52,258	35,487	87,745
Reclamation deposits	55,000	-	55,000
Balance at January 1, 2009	8,332,685	770,723	9,103,408
Exploration and evaluation assets	8,794,407	-	8,794,407
Property, plant and equipment	114,790	-	114,790
Reclamation deposits	40,000	-	40,000
Balance at December 31, 2009	8,949,197	-	8,949,197
Exploration and evaluation assets	10,254,222	-	10,254,222
Property, plant and equipment	106,493	-	106,493
Reclamation deposits	40,000	-	40,000
Balance at December 31, 2010	10,400,715	-	10,400,715

The geographic locations of the non-current assets are based on the physical locations of the assets.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 7. Revenue and other revenue and net income

The Group did not derive any revenue from its principal activity during the years. Other revenue and net income recognized during the years is as follows:

	Year ended December 31,	
	2010	2009
	\$	\$
<b>Other revenue</b>		
Bank interest income	8,777	5,681
Other income	11,251	2,703
	<u>20,028</u>	<u>8,384</u>
<b>Net income</b>		
Gain on disposal of exploration and evaluation assets	231,342	-
Gain on disposal of available-for-sale investments	-	122,506
	<u>231,342</u>	<u>122,506</u>
	<u>251,370</u>	<u>130,890</u>

### 8. Administrative expenses

The administrative expenses for the Group are broken down as follows:

	Year ended December 31,	
	2010	2009
	\$	\$
Depreciation	7,603	18,018
Consultant fees	99,486	113,333
Corporate administration	392,008	170,107
Net foreign exchange gain	(9,824)	(11,091)
Investor relations	184,734	41,732
Professional fees	2,116,831	99,191
Regulatory and shareholder services	237,508	36,153
Staff costs		
- Salaries and others	295,485	230,472
- Retirement scheme contributions	-	3,316
- Share-based payments	1,324,982	-
	<u>1,620,467</u>	<u>233,788</u>
Share-based payments to consultants	306,036	64,757
	<u>4,954,849</u>	<u>765,988</u>

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 9. Other operating expenses

The other operating expenses of the Group are broken down as follows:

	Year ended December 31,	
	2010	2009
	\$	\$
Loss on disposal of property, plant and equipment	-	21,350
Provision for impairment loss of property, plant and equipment	4,493	1,039
Provision for impairment loss of exploration and evaluation assets	-	827,446
Write-down of environmental reclamation deposits	-	15,000
	4,493	864,835

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#### *Provision for impairment loss of exploration and evaluation assets*

For the year ended 31 December 2009, exploration and evaluation assets related to the mining projects of Rio Minas Property in Mexico and Summit Lake Property in Canada amounting to approximately C\$690,989 and C\$136,457 were written off respectively, due to i) termination of the development agreement with the counter party and ii) decline in economic value.

### 10. Income tax expense

There is no provision for Canadian federal and provincial tax provided during the years as the Company and its subsidiary in Canada had no assessable profits during the years.

A reconciliation of income tax expense and accounting loss at applicable tax rate is as follows:

	Year ended December 31,	
	2010	2009
	\$	\$
Loss before income tax	(4,707,972)	(1,499,933)
Statutory tax rate	28.5%	30.0%
Recovery of income taxes based on combined federal and provincial statutory rates	(1,342,000)	(450,000)
Deduct:		
Lower effective tax rate in foreign jurisdictions	600	58,000
Tax effect of tax losses and temporary differences not recognized	637,000	432,000
Impact of dissolution of Mexican subsidiary	251,000	-
Deductible share issue costs	(66,000)	(197,000)
Share-based payments	397,000	19,000
Other non-deductible expenses	(1,600)	79,000
Effect of change in future tax rates	124,000	59,000
Income tax expense	-	-

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 10. Income tax expense (continued...)

The Company's unrecognized deferred income tax assets/(liabilities) are as follows:

	As at December 31,	
	2010	2009
	\$	\$
Non-capital tax loss carried forward	2,377,000	1,586,000
Mineral properties, plant and equipment	84,000	250,000
Share issue costs	108,000	95,000
Unrealized loss of available-for-sale investments	12,000	13,000
Total deferred income tax assets	2,581,000	1,944,000
Valuation allowance	(2,581,000)	(1,944,000)
	-	-

Deductible temporary differences for mineral properties, plant and equipment are not recognized by the Group. Share issue costs are deductible for Canadian income tax purposes.

The potential tax benefits related to the loss carried forward and other temporary differences, the application of which may be restricted, have not been recognized in these consolidated financial statements as management does not consider it likely that such assets will be realized in the foreseeable future. Also, the availability of the above deductions for income tax purposes may be restricted if there are future changes in control.

	As at December 31, 2010		
	Local currency	CDN. dollar equivalent	Expiry dates
<b>NON-CAPITAL LOSSES</b>			
Canadian Dollar	\$ 9,506,000	9,506,000	2010-2030
Mexican Peso	Peso -	-	
		<u>9,506,000</u>	
<b>CAPITAL LOSSES</b>			
Canadian Dollar	\$ 145,000	145,000	indefinite
Mexican Peso	Peso -	-	
		<u>145,000</u>	

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 10. Income tax expense (continued...)

				<b>As at December 31, 2009</b>		
				<u>Local currency</u>	<u>CDN. dollar equivalent</u>	<u>Expiry dates</u>
<b>NON-CAPITAL LOSSES</b>						
Canadian Dollar	\$	5,654,000		5,654,000	2009-2029	
Mexican Peso	Peso	10,118,000		980,000	2009-2019	
				<u>6,634,000</u>		
<b>CAPITAL LOSSES</b>						
Canadian Dollar	\$	145,000		145,000	indefinite	
Mexican Peso	Peso	-		-		
				<u>145,000</u>		
				<b>As at January 1, 2009</b>		
				<u>Local currency</u>	<u>CDN. dollar equivalent</u>	<u>Expiry dates</u>
<b>NON-CAPITAL LOSSES</b>						
Canadian Dollar	\$	4,617,000		4,617,000	2008-2028	
Mexican Peso	Peso	10,043,000		944,000	2008-2018	
				<u>5,561,000</u>		
<b>CAPITAL LOSSES</b>						
Canadian Dollar	\$	73,000		73,000	indefinite	
Mexican Peso	Peso	-		-		
				<u>73,000</u>		

### 11. Loss per share

The calculation of the basic loss per share for the years is presented based on the following data:

	Year ended December 31,	
	<u>2010</u>	<u>2009</u>
Loss attributable to the owners of the Company (\$)	(4,707,972)	(1,499,933)
Weighted average number of shares in issue during the year	168,099,000	137,364,000
Loss per share for loss attributable to the owners of the Company during the year (CDN cents)	(2.80)	(1.09)

Diluted loss per share for the years ended December 31, 2009 and 2010 is same as basic loss per share as the impact of the exercise of the share options and warrants are anti-dilutive.

The weighted average number of shares in issue for the year ended December 31, 2009 has been adjusted for the rights issue which completed in 2010 to reflect the bonus element inherent in the rights issue.

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 12. Property, plant and equipment

<u>The Group</u>	Computer equipment	Other equipment	Software	Vehicle	Mining equipment	Building	Land	Total
<b>Cost</b>								
At January 1, 2008	38,705	53,259	-	41,617	13,363	-	-	146,944
Additions	-	-	-	16,853	-	-	-	16,853
Disposals	-	-	-	(2,805)	-	-	-	(2,805)
At December 31, 2008 and January 1, 2009	38,705	53,259	-	55,665	13,363	-	-	160,992
Additions	-	-	4,145	-	-	59,100	36,138	99,383
Disposals	(38,705)	(28,662)	-	(55,665)	(6,429)	-	-	(129,461)
At December 31, 2009 and January 1, 2010	-	24,597	4,145	-	6,934	59,100	36,138	130,914
Additions	-	3,799	-	-	-	-	-	3,799
At December 31, 2010	\$ -	\$ 28,396	\$ 4,145	\$ -	\$ 6,934	\$ 59,100	\$ 36,138	\$ 134,713
<b>Accumulated depreciation and impairment losses</b>								
At January 1, 2008	17,174	9,597	-	11,860	1,096	-	-	39,727
Charge for the year	6,675	8,732	-	17,186	3,177	-	-	35,770
Disposals	-	-	-	(2,250)	-	-	-	(2,250)
At December 31, 2008 and January 1, 2009	23,849	18,329	-	26,796	4,273	-	-	73,247
Charge for the year	2,544	5,264	2,071	5,493	1,464	1,182	-	18,018
Impairment loss	-	-	-	-	1,039	-	-	1,039
Disposals	(26,393)	(13,163)	-	(32,289)	(4,335)	-	-	(76,180)
At December 31, 2009 and January 1, 2010	-	10,430	2,071	-	2,441	1,182	-	16,124
Charge for the year	-	3,212	2,074	-	-	2,317	-	7,603
Impairment loss	-	-	-	-	4,493	-	-	4,493
At December 31, 2010	\$ -	\$ 13,642	\$ 4,145	\$ -	\$ 6,934	\$ 3,499	\$ -	\$ 28,220
<b>Net book value</b>								
At January 1, 2009	\$ 14,856	\$ 34,930	\$ -	\$ 28,869	\$ 9,090	\$ -	\$ -	\$ 87,745
At December 31, 2009	\$ -	\$ 14,167	\$ 2,074	\$ -	\$ 4,493	\$ 57,918	\$ 36,138	\$ 114,790
At December 31, 2010	\$ -	\$ 14,754	\$ -	\$ -	\$ -	\$ 55,601	\$ 36,138	\$ 106,493

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd.)

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 12. Property, plant and equipment (continued...)

<u>The Company</u>	Computer equipment	Other equipment	Software	Mining equipment	Building	Land	Total
<b>Cost</b>							
At January 1, 2008	34,081	53,259	-	6,934	-	-	94,274
Additions	-	-	-	-	-	-	-
At December 31, 2008 and January 1, 2009	34,081	53,259	-	6,934	-	-	94,274
Additions	-	-	4,145	-	59,100	36,138	99,383
Disposals	(34,081)	(28,662)	-	-	-	-	(62,743)
At December 31, 2009 and January 1, 2010	\$ -	\$ 24,597	\$ 4,145	\$ 6,934	\$ 59,100	\$ 36,138	\$ 130,914
Additions	-	3,799	-	-	-	-	3,799
Transferred to a subsidiary	-	-	-	-	(59,100)	(36,138)	(95,238)
At December 31, 2010	\$ -	\$ 28,396	\$ 4,145	\$ 6,934	\$ -	\$ -	\$ 39,475
<b>Accumulated depreciation and impairment losses</b>							
At January 1, 2008	16,460	9,597	-	693	-	-	26,750
Charge for the year	5,286	8,732	-	1,249	-	-	15,267
At December 31, 2008 and January 1, 2009	21,746	18,329	-	1,942	-	-	42,017
Charge for the year	1,850	5,264	2,071	499	1,182	-	10,866
Disposals	(23,596)	(13,163)	-	-	-	-	(36,759)
At December 31, 2009 and January 1, 2010	-	10,430	2,071	2,441	1,182	-	16,124
Charge for the year	-	3,212	2,074	-	1,158	-	6,444
Impairment loss	-	-	-	4,493	-	-	4,493
Transferred to a subsidiary	-	-	-	-	(2,340)	-	(2,340)
At December 31, 2010	\$ -	\$ 13,642	\$ 4,145	\$ 6,934	\$ -	\$ -	\$ 24,721
<b>Net book value</b>							
At January 1, 2009	\$ 12,335	\$ 34,930	\$ -	\$ 4,992	\$ -	\$ -	\$ 52,257
At December 31, 2009	\$ -	\$ 14,167	\$ 2,074	\$ 4,493	\$ 57,918	\$ 36,138	\$ 114,790
At December 31, 2010	\$ -	\$ 14,754	\$ -	\$ -	\$ -	\$ -	\$ 14,754

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 13. Exploration and evaluation assets

The exploration and evaluation assets of the Group and the Company are comprised as follows

<u>The Group</u>	Mineral	Mineral	Total
	Properties Canada	Properties Mexico	
	\$	\$	\$
At January 1, 2008	4,764,904	1,339,337	6,104,241
Additions	1,790,234	1,016,507	2,806,741
Assets acquisition	2,632,500	-	2,632,500
Impairment	(962,211)	(1,620,608)	(2,582,819)
At December 31, 2008 and January 1, 2009	8,225,427	735,236	8,960,663
Additions	905,437	77,411	982,848
Impairment	(136,457)	(690,989)	(827,446)
Recoveries of IVA taxes (*)	-	(121,658)	(121,658)
Sale of mineral property	(200,000)	-	(200,000)
At December 31, 2009 and January 1, 2010	8,794,407	-	8,794,407
Additions	1,460,473	-	1,460,473
Sale of mineral property	(658)	-	(658)
At December 31, 2010	10,254,222	-	10,254,222

(\*) – IVA - Impuesto al Valor Agregado, a value-added tax

<u>The Company</u>	Mineral	Mineral	Total
	Properties Canada	Properties Mexico	
	\$	\$	\$
At January 1, 2008	4,764,904	445,427	5,210,331
Additions	1,790,234	289,607	2,079,841
Impairment	(962,211)	(384,291)	(1,346,502)
At December 31, 2008 and January 1, 2009	5,592,927	350,743	5,943,670
Additions	1,154,937	15,078	1,170,015
Impairment	(136,457)	(365,821)	(502,278)
Sale of mineral property	(200,000)	-	(200,000)
At December 31, 2009 and January 1, 2010	6,411,407	-	6,411,407
Additions	651,070	-	651,070
Sale of mineral property	(658)	-	(658)
Transfer to subsidiary	(7,061,819)	-	(7,061,819)
At December 31, 2010	-	-	-

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 13. Exploration and evaluation assets (continued...)

<u>Canada</u>	Silver Coin and Kansas	Surprise Creek	Summit Lake	Other	Total
	\$	\$	\$	\$	\$
At January 1, 2008	3,789,725	962,136	-	13,043	4,764,904
Additions					
Acquisition	2,383,000	-	249,500	-	2,632,500
Surveying, geological, geochemical and geophysical	249,566	75	85,000	3,908	338,549
Exploratory drilling	1,227,233	-	-	-	1,227,233
Sampling	21,467	-	-	-	21,467
Assessing technical feasibility and commercial viability	202,985	-	-	-	202,985
Impairment	-	(962,211)	-	-	(962,211)
At December 31, 2008 and January 1, 2009	7,873,976	-	334,500	16,951	8,225,427
Additions					
Acquisition	340,000	-	-	-	340,000
Surveying, geological, geochemical and geophysical	185,316	-	1,957	300	187,573
Exploratory drilling	1,119	-	-	-	1,119
Land maintenance	24	-	-	-	24
Assessing technical feasibility and commercial viability	376,721	-	-	-	376,721
Impairment	-	-	(136,457)	-	(136,457)
Sale of mineral property	-	-	(200,000)	-	(200,000)
At December 31, 2009 and January 1, 2010	8,777,156	-	-	17,251	8,794,407
Surveying, geological, geochemical and geophysical	702,528	-	-	3,950	706,478
Exploratory drilling	363,115	-	-	-	363,115
Land maintenance	19,443	593	-	-	20,036
Sampling	49,901	-	-	-	49,901
Assessing technical feasibility and commercial viability	320,878	65	-	-	320,943
Sale of mineral property	-	(658)	-	-	(658)
At December 31, 2010	10,233,021	-	-	21,201	10,254,222

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 13. Exploration and evaluation assets (continued...)

In August 2010, the Company sold all mineral properties, real properties and intangible assets to its subsidiary, Jayden Canada for 15,189,801 common shares at a value of \$1.

#### (a) Silver Coin Property

In 2004, the Company entered into an option agreement with Mountain Boy Minerals Ltd. ("Mountain Boy") whereby the Company can acquire a 51% interest in Mountain Boy's 100% owned Silver Coin and 55% owned Dauntless projects as well as the 100% owned FR claims (collectively, the "Silver Coin Property") by spending \$1.75 million on exploration on the Silver Coin Property over a three year period (incurred). In 2006, the Company earned a 51% interest in the Silver Coin Property.

In July 2009, the Company entered into an agreement with Mountain Boy to increase its ownership in the Silver Coin Property to 70% and to purchase land and buildings in Stewart, BC in return for a payment of \$440,000 (paid) of which \$340,000 was allocated to the Silver Coin property and \$100,000 to land and buildings inclusive of goods and services tax. The Company can further increase its ownership to 80% after spending \$4,000,000 on exploration and development expenditures on any or all of the Silver Coin Property and Kansas Property by July 2014. The agreement gives the Company the exclusive right to manage the project through feasibility and also to negotiate on behalf of both parties the sale of the Silver Coin Property and Kansas Property.

#### (b) Kansas Property and Summit Lake Property

In 2004, the Company entered into an option agreement with Tenajon Resources Corp. ("Tenajon") whereby the Company earned a 60% interest in Tenajon's 100% owned Kansas Property by making a cash payment of \$50,000 (\$25,500 paid by the Company and \$24,500 paid by the joint venture partner Mountain Boy) on signing, issuing 77,000 common shares and spending \$1.0 million on exploration and development.

The Kansas Property adjoins the Silver Coin Property. The expenditures incurred on the Kansas Property are included in the Silver Coin Property expenditures and are eligible for the expenditures required for the Silver Coin Property. Pursuant to an option agreement entered into with Mountain Boy in 2004, Mountain Boy will be participating in the Kansas Property and earned a 49% interest in the Company's 60% interest by making a cash payment of \$24,500 upon the signing of the agreement and issuing to the Company 98,000 shares of Mountain Boy. If the Company elects to put the Kansas Property or any adjoining property into production, Mountain Boy would be reduced to owning 40% of the Company's interest.

In April 2008, the Company entered into a binding letter agreement whereby the Company purchased Tenajon's wholly owned subsidiary, 0781639 B.C. Ltd. which holds an undivided 40% ownership interest in the Kansas Property and a 100% ownership interest in the Summit Lake property. Since 0781639 B.C. Ltd.'s only asset is mineral properties and it is not considered a business, the transaction was accounted for as an asset acquisition.

On closing, the Company issued to Tenajon 13,500,000 common shares at a value of \$2,430,000 and incurred related costs totalling \$165,000. The Company also issued 187,500 units with a value of \$37,500 in relation to this acquisition. In addition, the Company reimbursed Tenajon \$15,000 for a reclamation deposit which the Company assumed and \$85,000 for geological and exploration work on the Summit Lake property. The Company was also granted an option to purchase the 3% net smelter royalty ("NSR") held by Tenajon on the Summit Lake property by paying \$115,000 which the Company declined.

During 2009, the Company sold the Summit Lake property and transferred the 3% NSR for a cash payment of \$200,000 and wrote off the remaining carrying value of \$136,457 and reclamation deposit of \$15,000.

The July 2009 agreement with Mountain Boy sets the Company's interest in the Kansas Property at 70% with Mountain Boy at 30%. The Company will further increase its ownership to 80% after spending \$4,000,000 on exploration and development expenditures on any or all of the Silver Coin Property and Kansas Property by July 2014.

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 13. Exploration and evaluation assets (continued...)

#### (c) Surprise Creek

In July 2005, the Company entered into an agreement to acquire a 100% interest in three additional mineral claims in the Surprise Creek area. After assessing the drilling results of the property the Company decided not to proceed with any further programs on the property and as such has written off all expenditures during the year ended December 31, 2008.

In May 2010, the Company optioned the Surprise Creek property to Great Bear Resources Ltd. for consideration of \$150,000 (received) and 700,000 shares (200,000 received) over two years. The Company has reserved the 1.0% net smelter returns royalty of the claims.

In September 2010, the Jayden Canada sold its 100% interest and title to Surprise Creek property to 0891596 B.C. Ltd. for \$5,000 consideration. All of Great Bear Resources Ltd.'s option obligations are still outstanding and payable to the Company.

	<b>Mexico</b>	La Calavera	Rio Minas	Total
		\$	\$	\$
At January 1, 2008		1,113,406	225,931	1,339,337
Additions				
Acquisition			42,500	42,500
Surveying, geological, geochemical and geophysical		134,239	287,376	421,615
General administration		3,127	161,999	165,126
Exploratory drilling		362,891	10,183	373,074
Land maintenance		(2,236)	4,999	2,763
Sampling		3,230	1,927	5,157
Assessing technical feasibility and commercial viability		5,951	321	6,272
Impairment		(1,620,608)	-	(1,620,608)
At December 31, 2008 and January 1, 2009		-	735,236	735,236
Additions				
Surveying, geological, geochemical and geophysical		-	16,919	16,919
General administration		-	54,836	54,836
Land maintenance		-	5,656	5,656
Impairment		-	(690,989)	(690,989)
Recoveries of IVA taxes		-	(121,658)	(121,658)
At December 31, 2009 and 2010		-	-	-

#### (d) La Calavera and Rio Minas

In May 2007, the Company signed an option and joint venture agreement with Chesapeake Gold Corp ("Chesapeake"), a company related by way of a common former director, whereby the Company could acquire up to a 70% interest in the La Calavera property and Rio Minas property located in Oaxaca, Mexico. In order to earn the initial 51% interest, the Company was required to undertake a work program on the La Calavera – Rio Minas properties aggregating US\$6,000,000 (\$2,424,508 expended), pay US\$1,300,000 (US\$100,000 paid) and issue an aggregate of 500,000 shares (issued) at a total value of \$153,000 by March 2012.

Chesapeake had given notice to the Company that it has terminated its underlying option agreement with the La Calavera property owner. As of December 31, 2008, all costs relating to the La Calavera property were written off. During 2009, the Company made the decision to close its operations in Mexico and, though the process is not complete, has written off the Rio Minas property to reflect this decision.

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 14. Interests in subsidiaries

	As at December 31,		As at January 1,
	2010	2009	2009
	\$	\$	\$
<b>The Company</b>			
Unlisted shares at cost	9,831,927	2,637,500	2,637,500
Less: Provision for impairment losses	(254,500)	(254,500)	(5,000)
Unlisted shares at cost, closing	9,577,427	2,383,000	2,632,500
Amounts due from subsidiaries	841,502	1,540,761	1,521,974
Less: Provision for impairment losses	(841,502)	(1,540,761)	(1,521,974)
	-	-	-
	9,577,427	2,383,000	2,632,500

### 15. Other receivables

	As at December 31,		As at January 1,
	2010	2009	2009
	\$	\$	\$
<b>The Group</b>			
GST/HST receivables	92,762	13,673	22,557
Other receivables	2,883	-	2,153
	95,645	13,673	24,710
<b>The Company</b>			
GST/HST receivables	43,998	13,673	22,557
Other receivables	-	-	2,153
	43,998	13,673	24,710

GST/HST receivables represent input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

Other receivables as at January 1, 2009 represented exploration expenditures paid on behalf of a joint venture partner of the Group. These amounts have been fully recovered during the year ended December 31, 2009.

The Group anticipates full recovery of the above amounts and therefore no impairment has been recorded against these receivables.

Other receivables are neither past due or impaired. The management of the Company are of the opinion that no allowance of impairment of other receivables is necessary as there is no recent history of default in respect of these amounts. The Company/Group does not hold any collateral over these balances.

The management considers that the fair values of these receivables, which are expected to be recovered within one year, are not materially different from their carrying amounts because these amounts have short maturity periods on inception.

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 16. Prepaid expenses and deposits

The Group	As at December 31,		As at January 1,
	2010	2009	2009
	\$	\$	\$
<b>Non-current asset</b>			
Project reclamation deposits	40,000	40,000	55,000
<b>Current asset</b>			
Prepaid expenses and security deposits	415,742	23,069	24,426

The Company	As at December 31,		As at January 1,
	2010	2009	2009
	\$	\$	\$
<b>Non-current asset</b>			
Project reclamation deposits	-	40,000	55,000
<b>Current asset</b>			
Prepaid expenses and security deposits	415,608	23,069	24,426

### 17. Amounts due from/to related companies/a director

The Group	Notes	As at December 31,		As at January 1,
		2010	2009	2009
		\$	\$	\$
<b>Amount due from a related company</b>				
- Lincoln Gold Corporation	1	-	-	43,281
<b>Amounts due to related companies</b>				
- Lawrence A. Dick Consulting Ltd.	2	-	-	10,686
- Robert Perry Consulting LLC	3	13,992	-	-
- Baron Capital Limited	4	53	-	-
- Other related parties		21,998	-	-
<b>The Company</b>				
		As at December 31,	As at January 1,	
		2010	2009	2009
		\$	\$	\$
<b>Amount due from a related company</b>				
- Lincoln Gold Corporation	1	-	-	43,281
<b>Amounts due to related companies</b>				
- Lawrence A. Dick Consulting Ltd.	2	-	-	10,686
- Robert Perry Consulting LLC	3	-	-	-
- Baron Capital Limited	4	53	-	-
- Other related parties		21,998	-	-

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 17. Amounts due from/to related companies/a director (continued...)

The amounts due from/to related companies/ a director are unsecured, interest free and repayable on demand.

- (1) Lincoln Gold Corporation, a private company controlled by Paul Saxton, a former CEO and director of the Company.
- (2) Lawrence A. Dick Consulting Ltd., a private company controlled by Lawrence Dick, a former CEO and director of the Company, who resigned on May 28, 2010.
- (3) Robert Perry Consulting LLC, a private company controlled by Robert Perry, a director of the Company.
- (4) A director of Baron Capital Limited is a close family member of Ms Letty Wan, a director of the Company.

### 18. Available-for-sale investments

#### The Group and the Company

	<u>Fair Value</u>
January 1, 2009	
Mountain Boy Minerals Ltd.	\$ 38,249
December 31, 2009	
Mountain Boy Minerals Ltd.	\$ 37,622
December 31, 2010	
Mountain Boy Minerals Ltd.	\$ 48,156
Great Bear Resources Ltd.	71,000
	\$ 119,156

The fair values of the above investments have been determined by reference to their quoted bid prices at the respective reporting dates. The basis of measurement is described in Note 29(vi). Impairment losses of \$183,594 were recognized in the year ended December 31, 2008.

### 19. Cash and cash equivalents

#### The Group and the Company

At December 31, 2010, the cash and cash equivalents held by the Group and the Company comprised bank balances and cashable guaranteed investment certificates ("GICs"). GICs have an original maturity date of one year and are eligible for immediate cancellation after a 30 day hold period with interest earned to the date of cancellation. The GICs earn respective interests of 0.20% and prime less 1.85% per annum.

The management considers that the fair values of cash and cash equivalents are not materially different from their carrying amounts due to the short maturity period on their inception.

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 20. Payables and accruals

#### The Group and the Company

Payables and accruals are principally comprised of amounts outstanding for exploration and evaluation expenditures and amounts payable for financing activities. All amounts are short-term and hence the carrying values of the Group's and the Company's payables and accruals are considered to be a reasonable approximation of fair value.

### 21. Reclamation and decommissioning liabilities

#### The Group and the Company

The Group has assessed the reclamation and decommissioning requirements of its exploration and evaluation and other assets and determined that the Group has no such obligations as at the reporting dates.

### 22. Share capital

	Notes	Common shares Number of shares	Amount \$
Authorized:			
At December 31, 2010 and 2009 and January 1, 2009		Unlimited number of shares with no par value	
Issued:			
At January 1, 2008		25,123,647	23,059,612
Issued for acquisition of exploration and evaluation assets	1, 2	13,750,000	2,472,500
Private placement	3	52,515,000	3,193,687
Financial advisory units	4	187,500	37,500
At January 1, 2009		91,576,147	28,763,299
Cancellation of shares	5	(13)	-
At December 31, 2009		91,576,134	28,763,299
Rights offering	6	91,576,134	894,745
At December 31, 2010		183,152,268	29,658,044

- 1) In February 2008, the Company issued 250,000 shares to complete an option agreement with Chesapeake for acquiring an interest in the La Calavara and Rio Minas properties located in Mexico.
- 2) In April 2008, the Company entered into an agreement for acquiring Jayden Canada by paying \$165,000 in cash and issuing 13,500,000 shares. See note 13(b).
- 3) In April 2008, the Company closed a partially brokered private placement consisting of 4,715,000 units at a price of \$0.20 per unit for gross proceeds of \$943,000. Each unit entitled the holder to one common share and one-half share purchase warrant with one whole warrant being exercisable into one additional common share for a period of one year at a price of \$0.30 per share. The Company paid an agent fee of \$52,500 and granted 350,000 agent compensation options with a value of \$24,602. Each agent's option was exercisable into one additional unit at a price of \$0.20 per unit for one year. The Company also paid finders' fees of \$17,100 in cash and 80,250 compensation options with a value of \$5,641 with each compensation option exercisable into one additional unit at a price of \$0.20 for one year. The agents' compensation options were valued using the Black-Scholes pricing model with an expected volatility of 108%, and expected term of one year, a risk free interest rate of 2.85% and a dividend yield of 0%.

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 22. Share capital (continued...)

In December 2008, the Company closed a non-brokered private placement consisting of 45,000,000 units at a price of \$0.055 per unit for gross proceeds of \$2,475,000. Each unit entitles the holder to one common share and one share purchase warrant which is exercisable into one additional common share for a period of two years at a price of \$0.07 during the first year and \$0.15 during the second year. The Company paid a finder's fee of \$198,000 to Baron Capital Limited ("Baron Capital") of which \$44,000 was paid in cash and \$154,000 was paid in 2,800,000 common shares.

- 4) In April and August 2008, the Company issued 93,750 units each pursuant to a financial advisory agreement relating to the acquisition of the Kansas and Summit Lake properties (Note 12). The units have the same terms and conditions as the units issued in the April 2008 private placement.
- 5) Cancellation of shares was due to accumulated fractions held in the trustee account that resulted from rounding in capital exchanges and consolidation.
- 6) In May 2010, the Company completed a rights offering in which one right was issued for each share held, where each right entitled the holder to acquire an additional common share for \$0.05. A total of 91,576,134 shares were issued raising gross proceeds of \$4,578,807. Share issue costs of \$3,684,062 were incurred. Progress Advanced Holdings Ltd. ("Progress Advanced") agreed to provide a standby commitment under which it would purchase any common shares that were not otherwise subscribed for under the rights offering prior to the expiry time. In consideration, Progress Advanced was granted 22,894,033 warrants where each warrant entitled the company to purchase an additional common share at \$0.05 for a period of six months from the closing, subsequently extended to April 30, 2011. The fair value of these warrants was \$3,449,070 which was accounted for as part of the total share issue costs.

### 23. Reserves

#### The Group

Details of the Group's reserves are set out in the consolidated statements of changes in equity.

The Company	Share-based compensation reserve	Fair value reserve for available-for- sale investments	Accumulated losses	Total
	\$	\$	\$	\$
<b>At January 1, 2008</b>	703,691	-	(16,110,772)	(15,407,081)
Fair value of agent's options	30,243	-	-	30,243
Share-based payments	17,724	-	-	17,724
Lapse of share options	(363,150)	-	363,150	-
<b>Transactions with owners</b>	<b>(315,183)</b>	<b>-</b>	<b>363,150</b>	<b>47,967</b>
<b>Loss for the year</b>	<b>-</b>	<b>-</b>	<b>(2,517,957)</b>	<b>(2,517,957)</b>
<b>Other comprehensive income</b>				
Loss on change in fair value of available-for-sale investments	-	(183,594)	-	(183,594)
Reclassification relating to impairment loss on available-for-sale investments	-	183,594	-	183,594

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 23. Reserves (continued...)

The Company	Share-based compensation reserve	Fair value reserve for available-for sale investments	Accumulated losses	Total
	\$	\$	\$	\$
<b>Total comprehensive income for the year</b>	-	-	(2,517,957)	(2,517,957)
<b>At December 31, 2008 and January 1, 2009</b>	388,508	-	(18,265,579)	(17,877,071)
Share-based payments	64,757	-	-	64,757
Lapse of share options	(283,700)	-	283,700	-
<b>Transactions with owners</b>	(218,943)	-	283,700	64,757
<b>Loss for the year</b>	-	-	(1,268,682)	(1,268,682)
<b>Other comprehensive income</b>				
Gain on change in fair value of available-for-sale investments	-	145,079	-	145,079
Reclassification relating to disposal of available-for-sale investments	-	(122,506)	-	(122,506)
<b>Total comprehensive income for the year</b>	-	22,573	(1,268,682)	(1,246,109)
<b>At December 31, 2009 and January 1, 2010</b>	169,565	22,573	(19,250,561)	(19,058,423)
Rights offering	3,449,070	-	-	3,449,070
Share-based payments	1,631,018	-	-	1,631,018
Lapse of share options	(62,600)	-	62,600	-
<b>Transactions with owners</b>	5,017,488	-	62,600	5,080,088
<b>Loss for the year</b>	-	-	(5,539,257)	(5,539,257)
<b>Other comprehensive income</b>				
Gain on change in fair value of available-for-sale investments	-	4,534	-	4,534
<b>Total comprehensive income for the year</b>	-	4,534	(5,539,257)	(5,534,723)
<b>At December 31, 2010</b>	5,187,053	27,107	(24,727,218)	(19,513,058)

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 24. Share-based payments

The Company has a stock option plan whereby the maximum number of shares subject to the plan, in the aggregate, shall not exceed 10% of the Company's issued and outstanding shares. The maximum term of any option will be ten years and the vesting is at the direction of the board, however, options granted to consultants performing "investor relations' activities" must at a minimum vest in stages over a period of not less than twelve months, with no more than ¼ of the options vesting in any three month period or such longer period as the board determines. The exercise price shall be no less than the discount market price as determined in accordance with TSE policies

Share options and weighted average exercise price for the respective years is as follows:

	Year Ended December 31,			
	2010		2009	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Options outstanding, beginning of year	915,000	\$ 0.27	1,030,000	\$ 0.47
Granted	12,250,000	\$ 0.20	550,000	\$ 0.15
Expired	(90,000)	\$ 0.70	(110,000)	\$ 0.66
Forfeited	-	\$ -	(555,000)	\$ 0.44
Options outstanding, end of year	<u>13,075,000</u>	\$ 0.20	<u>915,000</u>	\$ 0.27
Options exercisable, end of year	<u>13,075,000</u>	\$ 0.20	<u>890,000</u>	\$ 0.28

The following table summarizes information about stock options outstanding and exercisable at December 31, 2010, 2009 and January 1, 2009.

Options outstanding			Options exercisable	
Number outstanding at December 31, 2010	Expiry date	Exercise price	Number exercisable at December 31, 2010	Exercise price
255,000	October 2, 2012	\$ 0.40	255,000	\$ 0.40
20,000	April 3, 2013	\$ 0.20	20,000	\$ 0.20
550,000	September 21, 2011	\$ 0.15	550,000	\$ 0.15
<u>12,250,000</u>	June 2, 2015	\$ 0.20	<u>12,250,000</u>	\$ 0.20
<u>13,075,000</u>		\$ 0.20	<u>13,075,000</u>	\$ 0.20

  

Options outstanding			Options exercisable	
Number outstanding at December 31, 2009	Expiry date	Exercise price	Number exercisable at December, 31, 2009	Exercise price
50,000	April 10, 2010	\$ 0.50	50,000	\$ 0.50
40,000	December 6, 2010	\$ 0.95	40,000	\$ 0.95
255,000	October 2, 2012	\$ 0.40	255,000	\$ 0.40
20,000	April 3, 2013	\$ 0.20	20,000	\$ 0.20
<u>550,000</u>	September 21, 2011	\$ 0.15	<u>525,000</u>	\$ 0.15
<u>915,000</u>		\$ 0.27	<u>890,000</u>	\$ 0.28

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 24. Share-based payments (continued...)

Options outstanding			Options exercisable		
Number outstanding at January 1, 2009	Expiry date	Exercise price	Number exercisable at January 1, 2009	Exercise price	
90,000	March 16, 2009	\$ 0.70	90,000	\$ 0.70	
20,000	June 23, 2009	\$ 0.50	20,000	\$ 0.50	
115,000	April 10, 2010	\$ 0.50	115,000	\$ 0.50	
65,000	December 6, 2010	\$ 0.95	65,000	\$ 0.95	
720,000	October 2, 2012	\$ 0.40	720,000	\$ 0.40	
20,000	April 3, 2013	\$ 0.20	10,000	\$ 0.20	
<u>1,030,000</u>		\$ 0.47	<u>1,020,000</u>	\$ 0.47	

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the option other than by issuing the Company's shares.

No options were exercised during the years ended December 31, 2010 and 2009. The weighted average remaining contractual life of the stock options outstanding at December 31, 2010 is 4.5 years.

During the years ended December 31, 2010 and 2009, the Company recognized \$1,631,018 and \$64,757 respectively of share-based payments for share options granted. The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following assumptions:

	Year ended December 31,	
	2010	2009
Date of grant	June 3, 2010	September 21, 2009
Share price at grant date	\$0.17	\$0.15
Risk free interest rate	2.65%	1.28%
Expected life in years	5	2
Expected volatility	111%	182%
Expected dividend per share	Nil	Nil
Fair value at grant date	\$0.13	\$0.12
Exercise price at grant date	\$0.20	\$0.15

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, in the opinion of the management, the existing models do not necessarily provide a realistic measure of fair value of the Company's stock options and warrants at the date of the grant or thereafter.

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 24. Share-based payments (continued...)

Full share equivalent warrant activity for the respective years is as follows:

	Year Ended December 31,			
	2010		2009	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Warrants outstanding, beginning of year	45,000,000	\$ 0.15	49,481,250	\$ 0.12
Issued	22,894,033	\$ 0.05	-	\$ -
Expired	-	\$ -	(4,481,250)	\$ 0.62
Warrants outstanding, end of year	67,894,033	\$ 0.12	45,000,000	\$ 0.15

Full share equivalent warrants outstanding and exercisable at December 31, 2010 and 2009 and January 1, 2009 are as follows:

Balance at	Number of Full Share Equivalent Warrants	Price Per Share	Expiry Date
	2,000,000	\$ 1.00	April 9, 2009
	30,000	\$ 1.00	April 9, 2009
	2,357,500	\$ 0.30	April 3, 2009
	46,875	\$ 0.30	April 3, 2009
	46,875	\$ 0.30	August 11, 2009
	45,000,000	\$ 0.15	December 18, 2010
January 1, 2009	49,481,250		
December 31, 2009	45,000,000	\$ 0.15	December 18, 2010
	22,894,033	\$ 0.05	April 30, 2011
December 31, 2010	67,894,033		April 30, 2011

Progress Advanced Holdings Ltd. ("Progress Advanced") agreed to provide a standby commitment under which it would purchase any common shares that were not otherwise subscribed for under the rights offering prior to the expiry time. In consideration, Progress Advanced was granted 22,894,033 warrants where each warrant entitled the company to purchase an additional common share at \$0.05 for a period of six months ending November 4, 2010. The fair value of these warrants was \$3,449,070 which was accounted for as part of the total share issue costs. The expiry date of all outstanding warrants has been extended to April 30, 2011.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 24. Share-based payments (continued...)

#### Agent's options

Full share equivalent agent option activities for the year ended December 31, 2009 are as follows:

	As at December 31, 2009	
	Number	Weighted average exercise price
Agent options outstanding, beginning of year	750,250	\$ 0.37
Expired	(750,250)	\$ 0.37
Agent options outstanding, end of year	-	\$ -

There were no agent options granted for the year ended December 31, 2010.

### 25. Operating lease commitments

#### The Group and the Company

At the respective reporting dates, the total future minimum lease payments payable under non-cancellable operating leases are as follows:

	As at December 31,		As at January 1,
	2010	2009	2009
	\$	\$	\$
Within one year	159,290	-	90,521
In the second to fifth years	74,369	-	15,087
	233,659	-	105,608

During the year ended December 31, 2010, the Group/Company leased a number of office premises under operating leases. These leases run for periods ranging from 1-2 years, with options to renew the lease and renegotiate the terms at the respective expiry dates or at dates mutually agreed upon with the respective landlords. None of these leases include contingent rentals.

### 26. Related party transactions

#### (a) Related party expenses

The Group's related parties include those companies and key management personnel that fit the description in Note 4. In addition to the transactions and balances disclosed in Note 17 and elsewhere in these financial statements, the Group entered into the following material related party transactions during the years.

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 26. Related party transactions (continued...)

Services provided for the year ended December 31, 2010	Management services	Consulting and advisory services	Rent and office expenses	Share-based payments	Share issue costs
	\$	\$	\$	\$	\$
Baron Global Financial Canada Ltd. (1)	78,000	-	42,000	239,506	-
Baron Capital Ltd. (5)	-	720,339	-	-	-
Progress Advanced Holdings Ltd. (3)	-	-	-	-	3,449,070
Baron Asia Limited (4)	-	-	52,817	-	-
Bromley Resources Ltd. (2)	-	70,000	-	-	-

  

Year ended December 31, 2009					
Baron Global Financial Canada Ltd. (1)	19,500	100,500			
Bromley Resources Ltd. (2)	-	23,333	-	-	-
Lincoln Gold Corporation (2)	-	30,110	-	-	-

- (1) Mr. Herrick Lau Mong Tak and Mr. David Arthur Eaton, directors of the Company, were the vice president of corporate finance and managing director of Baron Global Financial Canada Ltd, respectively.
- (2) Mr. Paul Frederick Saxton, a former director of the Company who resigned on 21 August 2009, has controlling equity interest in these related companies.
- (3) On 17 February 2010, the Company entered into a rights offering standby guarantee agreement with Progress Advanced Holdings Limited for providing underwriting services. Progress Advanced Holdings Limited is an indirect shareholder of the Company. The underwriting service was paid in form of warrants of 22,894,033 units which is exercisable at C\$0.05 each for a period of six months from the closing, subsequently extended to April 30, 2011. The fair value of warrants of C\$3,449,070 was recorded as part of the share issue cost.
- (4) Ms. Letty Wan Ho Yan, a director of the Company, has indirect controlling equity interest in Baron Asia Limited.
- (5) Mr. Joseph Wan Chuen Chung, a close relative of Ms. Letty Wan Ho Yan, a director of the Company, has controlling equity interest in the related company.

According to the commercial agreements between the Company and the related companies, the transactions with Baron Global Financial Canada Ltd., Baron Asia Limited and Bromley Resources Ltd. will continue after the reporting date until the expiry of the commercial agreements. The commercial agreements for other related party transactions had been terminated during the years. The directors of the Company are of the opinion that the related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 26. Related party transactions (continued...)

#### (b) Compensation of key management personnel

Key management personnel are the directors of the Company whose compensations included in staff costs comprised the following:

	Year ended December 31,	
	2010	2009
	\$	\$
Salaries and others	214,962	119,648
Share-based payments	951,373	-
	1,166,335	119,648

### 27. Supplementary cash flow information

The change in non-cash working capital is as follows:

	Year ended December 31,	
	2010	2009
	\$	\$
Disposal of exploration and evaluation assets in exchange for available-for-sale investments	77,000	-
Underwriting services fee in relation to rights offering settled by issuance of warrants	3,449,070	-

### 28. Capital risk management

The Group's capital management objectives are to insure the Group's ability to continue as a going concern so as to benefit from its operations to provide an adequate return for its shareholders.

The Group manages its capital structure and makes adjustments to it based on the funds available to the Group in order to support the acquisition, exploration and development of mineral properties. The Group defines capital that it manages as its shareholders' equity. The Board of Directors does not establish 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.

The properties in which the Group currently has an interest are in the exploration stage; as such, the Group has historically relied on the equity markets to fund its activities. In addition, the Group is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Group will spend its existing working capital and raise additional funds as needed. The Group 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.

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

The Group is not subject to externally imposed capital requirements.

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 29. Financial instruments and financial risk management

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the board of directors meets periodically to analyze and formulate measures to manage the Group's exposure to the market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

Generally, the Group employs conservative strategies when considering risk management. As the Group's exposure to the market risk is kept to a minimum level, the Group has not used any derivative financial instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are described below. A summary of the Group's financial assets and liabilities by category is disclosed below.

#### (i) Currency risk

Some of the operating expenses and cash held are denominated in foreign currencies and as such are subject to currency risk. The Group's operations in Mexico exposed the Group to exchange rate fluctuations. The Group has withdrawn from its Mexican operations which has significantly reduced its currency risk. The Group does not enter into derivative financial instruments to mitigate this risk but the Group does not believe its net exposure to foreign exchange risk is significant.

Foreign currency denominated cash and cash equivalents, translated into Canadian dollars at the closing rates are as follows:

	At December 31, 2010			At December 31, 2010		
	The Group			The Company		
	USD	Peso	Other	USD	Peso	Other
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	5,099	-	124,184	5,079	-	124,184

	At December 31, 2009			At December 31, 2009		
	The Group			The Company		
	USD	Peso	Other	USD	Peso	Other
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	853	9,438	-	853	-	-

The following table details the Group's sensitivity to a 10% increase or decrease in the Canadian dollar against the foreign currency denominated monetary items above. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 10% change in foreign currency rates. A positive number indicates a decrease in loss for the year where the foreign currencies strengthen against the Canadian dollar. The opposite number will result if the foreign currencies depreciated against the Canadian dollar.

	Year Ended December 31,	
	2010	2009
	\$	\$
The Group	12,928	1,029

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# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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### 29. Financial instruments and financial risk management (continued...)

#### (ii) Credit risk

The Group's cash is held in authorized Canadian and Mexican financial institutions. The Group does not have any asset-backed commercial paper. Management believes that the credit risk concentration with respect to its financial instruments is minimal.

The Group adopts conservative investment strategies. Usually investments are in liquid securities quoted on recognized stock exchanges. No margin trading is allowed. Loans and financial guarantees to individuals on non-Group entities have to be approved by the board of directors. The board monitors the Group's overall investment position and exposure on a day to day basis.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

#### (iii) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest-bearing assets in relation to cash at banks and GICs carried at floating interest rates with reference to the market. Details of which are disclosed in Note 19. The Group's operating cash flows are substantially independent of changes in market interest rates. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Group is considered minimal. The Group has no interest bearing borrowings.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

#### (iv) Liquidity risk

The Group's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Group manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the board of directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 29. Financial instruments and financial risk management (continued...)

The following tables detail the remaining contractual maturities at the respective reporting dates of the Group's and Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

<b>The Group</b>	<b>Carrying amount</b>	<b>Total contractual undiscounted cash flow</b>	<b>Within one year or on demand</b>
	\$	\$	\$
<b>At December 31, 2010</b>			
Payables and accruals	433,413	433,413	433,413
Amount due to a director	130	130	130
Amounts due to related companies	36,043	36,043	36,043
	469,586	469,586	469,586
<b>At December 31, 2009</b>			
Payables and accruals	122,743	122,743	122,743
Amount due to a director	220	220	220
	122,963	122,963	122,963
<b>At January 1, 2009</b>			
Payables and accruals	491,722	491,722	491,722
Amounts due to related companies	10,686	10,686	10,686
	502,408	502,408	502,408
<b>The Company</b>			
	\$	\$	\$
<b>At December 31, 2010</b>			
Payables and accruals	421,207	421,207	421,207
Amount due to a director	130	130	130
Amounts due to related companies	22,051	22,051	22,051
	443,388	443,388	443,388
<b>At December 31, 2009</b>			
Payables and accruals	122,743	122,743	122,743
Amount due to a director	220	220	220
	122,963	122,963	122,963
<b>At January 1, 2009</b>			
Payables and accruals	300,547	300,547	300,547
Amounts due to related companies	10,686	10,686	10,686
	311,233	311,233	311,233

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 29. Financial instruments and financial risk management (continued...)

#### (v) Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices of listed equity in respect of its investments classified as available-for-sale investments (Note 18).

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

#### Sensitivity analysis

The sensitivity analyses below have been determined based on exposure to equity price risk at the reporting date. For sensitivity analysis purposes, the sensitivity rate is 39% and 120% for the years ended December 31, 2010 and 2009 as a result of the volatile financial market. If equity prices had been 39% and 120% higher/lower, other comprehensive income for the years ended December 31, 2010 and 2009 would increase/decrease by approximately \$45,847 and \$45,146 respectively. This is due to the changes in fair value of listed equity investment classified as available-for-sale investments.

#### (vi) Fair value measurements recognized in the consolidated statements of financial position

The Group adopted the amendments to IFRS 7, "Improving Disclosures about Financial Instruments", effective January 1, 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following three levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorized in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statements of financial position are grouped into the fair value hierarchy as follows:

	At December 31, 2010			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Assets:</b>				
Available-for-sale investments				
- listed equity securities, at fair value	119,156			119,156
<b>At December 31, 2009</b>				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Assets:</b>				
Available-for-sale investments				
- listed equity securities, at fair value	37,622			37,622

# Jayden Resources Inc.

(formerly Pinnacle Mines Ltd).

## Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

### 29. Financial instruments and financial risk management (continued...)

There have been no significant transfers between levels 1 and 2 in the respective reporting periods. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods. The listed equity securities are denominated in Canadian dollars. Fair values have been determined by reference to their quoted bid prices at the reporting dates.

(vii) Categories of financial assets and liabilities

The carrying amounts of the Group's and the Company's financial assets and liabilities as presented in the statements of financial position are as follows:

<b>The Group</b>	At December 31,		At January 1,
	2010	2009	2009
	\$	\$	\$
<b>Financial assets</b>			
Available-for-sale investments	119,156	37,622	38,249
At amortized cost			
- Other receivables (Note 15)	2,883	-	2,153
- Amount due from a related company	-	-	43,281
Cash and cash equivalents	424,549	814,228	2,395,763
	<b>546,588</b>	<b>851,850</b>	<b>2,479,446</b>
<b>Financial liabilities</b>			
At amortized costs			
- Payables and accruals	(433,413)	(122,743)	(491,722)
- Amounts due to related companies	(36,043)	-	(10,686)
- Amount due to a director	(130)	(220)	-
	<b>(469,586)</b>	<b>(122,963)</b>	<b>(502,408)</b>
<b>The Company</b>	At December 31,		At January 1,
	2010	2009	2009
	\$	\$	\$
<b>Financial assets</b>			
Available-for-sale investments	119,156	37,622	38,249
At amortized cost			
- Other receivables (Note 15)	-	-	2,153
- Amount due from a related company	-	-	43,281
Cash and cash equivalents	417,431	804,278	2,383,368
	<b>536,587</b>	<b>841,900</b>	<b>2,467,051</b>
<b>Financial liabilities</b>			
At amortized costs			
- Payables and accruals	(421,207)	(122,743)	(300,547)
- Amounts due to related companies	(22,051)	-	(10,686)
- Amount due to a director	(130)	(220)	-
	<b>(443,388)</b>	<b>(122,963)</b>	<b>(311,233)</b>