

AUDITORS' REPORT

To the Shareholders of
X-Tal Minerals Corp.

We have audited the balance sheets of **X-Tal Minerals Corp.** as at August 31, 2010 and 2009 and the statements of operations and comprehensive loss, shareholders' equity and cash flows for each of the years in the three year period ended August 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the three year period ended August 31, 2010 in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Vancouver, Canada,
November 24, 2010.

Chartered Accountants

Financial Statements
(Expressed in Canadian dollars)

X-Tal Minerals Corp.

For Year Ended August 31, 2010

X-Tal Minerals Corp.

Balance Sheets
(Expressed in Canadian dollars)

	August 31, 2010	August 31, 2009	August 31, 2008
Assets			
Current assets:			
Cash and cash equivalents	\$ 29,150	\$ 155,109	\$ 72,786
Short term investments	800,000	800,000	1,079,155
Prepaid expenses	11,291	-	29
Interest receivable	3,168	2,258	1,430
GST recoverable	9,149	9,624	7,140
	<u>\$ 852,758</u>	<u>\$ 966,991</u>	<u>\$ 1,160,540</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (note 6)	\$ 111,150	\$ 23,097	\$ 27,889
Shareholders' equity:			
Share capital (note 4)	1,883,887	1,883,887	1,883,887
Contributed surplus (note 4)	414,464	379,427	309,704
Deficit	(1,556,743)	(1,319,420)	(1,060,940)
	<u>741,608</u>	<u>943,894</u>	<u>1,132,651</u>
	<u>\$ 852,758</u>	<u>\$ 966,991</u>	<u>\$ 1,160,540</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

X-Tal Minerals Corp.

Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	2010	2009	2008
Stock-based compensation expense (note 4)	\$ (35,037)	\$ (69,723)	\$ 34,406
Office and miscellaneous	(53,356)	(79,066)	(100,177)
Transfer and filing fees	(10,708)	(15,221)	(11,999)
Professional fees	(51,874)	(107,156)	(31,669)
Project development costs (note1)	(91,169)	-	-
Operating loss	(242,144)	(271,166)	(178,251)
Other income			
Interest income	4,821	12,686	42,082
Net loss and other comprehensive loss for the year	\$ (237,323)	\$ (258,480)	\$ (136,169)
Deficit, beginning of year	(1,319,420)	(1,060,940)	924,771
Deficit, end of year	(1,556,743)	(1,319,420)	1,060,940
Basic and diluted loss per share amounts	\$ (0.04)	\$ (0.04)	\$ (0.02)
Weighted average common shares outstanding	6,300,001	6,300,001	6,300,001

X-Tal Minerals Corp.

Statements of Shareholders' Equity
(Expressed in Canadian dollars)

	Number of shares	Amount	Contributed surplus	Deficit	Total
Balances, August 31, 2007	6,300,001	\$ 1,883,887	\$ 275,298	\$ (924,771)	\$ 1,234,414
Stock based compensation	-	-	34,406	-	34,406
Net loss	-	-	-	(136,169)	(136,169)
Balances, August 31, 2008	6,300,001	\$ 1,883,887	\$ 309,704	\$ (1,060,940)	\$ 1,132,651
Stock based compensation	-	-	69,723	-	69,723
Net loss	-	-	-	(258,480)	(258,480)
Balances, August 31, 2009	6,300,001	1,883,887	379,427	(1,319,420)	943,894
Stock based compensation	-	-	35,037	-	35,037
Net loss	-	-	-	(237,323)	(237,323)
Balances, August 31, 2010	6,300,001	\$ 1,883,887	\$ 414,464	\$ (1,556,743)	\$ 741,608

See accompanying notes to financial statements.

X-Tal Minerals Corp.

Statements of Cash Flows
(Expressed in Canadian dollars)

	2010	2009	2008
Cash provided by (used in):			
Operations:			
Net loss	\$ (237,323)	\$ (258,480)	\$ (136,169)
Items not involving cash:			
Stock-based compensation expense	35,037	69,723	34,406
Changes in non-cash operating working capital:			
Interest receivable	(910)	(828)	9,272
Taxes receivable	475	(2,484)	(4,777)
Prepaid Expenses	(11,291)	29	1,619
Accounts payable and accrued liabilities	88,053	(4,792)	5,488
Cash (used in) operating activities	(125,959)	(196,832)	(90,161)
Investing:			
Purchase of guaranteed investment certificate	\$ (800,000)	\$ (800,000)	\$ (1,079,155)
Redemption of guaranteed investment certificate	800,000	1,079,155	1,169,793
Loan advanced to related party (note 6)	(50,000)	-	-
Loan repaid from related party (note 6)	50,000	-	-
Cash provided by (used in) investing activities	\$ -	\$ 279,155	\$ 90,638
Increase (decrease) in cash and cash equivalents	(125,959)	82,323	477
Cash and cash equivalents, beginning of year	155,109	72,786	72,309
Cash and cash equivalents, end of year	\$ 29,150	\$ 155,109	\$ 72,786

See accompanying notes to financial statements.

	Number of shares	Weighted average exercise price
Balance, August 31, 2007	267,000	\$ 0.51
Expired	(167,000)	0.37
Granted	525,000	0.50
Balance, August 31, 2008	625,000	\$ 0.54
Expired	(100,000)	0.75
Forfeited	(230,000)	0.50
Granted	385,000	0.35
Balance, August 31, 2009	680,000	0.42
Forfeited	(85,000)	0.50
Balance, August 31, 2010	595,000	\$ 0.40

Number of common shares	Outstanding options		Exercisable options	
	Weighted average remaining contractual life	Weighted average exercise price	Number of common shares	Weighted average exercise price
595,000	40 months	\$ 0.40	501,250	\$ 0.42

X-Tal Minerals Corp.
NOTES TO FINANCIAL STATEMENTS
August 31, 2010, 2009 and 2008

1. NATURE OF OPERATIONS AND GOING CONCERN

As at August 31, 2010, the Company has not acquired any mineral properties. However, on August 24, 2010, the Company entered into a non-binding letter of intent with American Eagle Resources Inc. ("AME") to acquire all the outstanding shares of AME by issuing 21,108,543 shares of the Company to the shareholders of AME. AME and the Company are related by common directors. The proposed acquisition is conditional upon the execution of a definitive agreement, completion of satisfactory due diligence, receipt of shareholder and other corporate approvals, regulatory approval and, if required, court approval. The principal asset of AME is the Tuvatu Gold Deposit located on the Fijian Island of Viti Levu.

Pursuant to the letter of intent, the Company agreed to pay the costs associated with the preparation of a Technical Report on the Tuvatu Gold Deposit that is in compliance with the requirements of National Instrument 43-101. Additionally the Company agreed to pay costs associated with developing the Tuvatu Gold Property incurred on or after August 24, 2010 to a maximum of \$40,000 per month. Because the Company does not currently own the Tuvatu Gold Deposit, the development costs and costs incurred to date to prepare the Technical Report have been expensed as project development costs.

Subsequent to the year end, the Company entered into a definitive agreement with AME to formalize the acquisition, which will constitute a reverse takeover for accounting purposes with AME being the acquirer (see Note 10).

In addition to the proposed transaction with AME, the Company continues to evaluate other mineral property projects and opportunities. The Company has no meaningful sources of generating cash in the short term other than accessing the capital markets for the placement of its equity securities. The Company is dependent on the capital markets to provide funding for future activities and outlays, and these markets can be highly variable and volatile over a multi-year cycle. A deterioration of those capital markets could have a material adverse effect on the Company's prospects for success or even for survival.

These financial statements have been prepared by management on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its obligations in the normal course of business. As at August 31, 2010, X-Tal possessed working capital of \$741,608 (2009: \$943,894 & 2008: \$1,132,651). While the Company is currently able to meet its obligations as they become due it will require additional funding to explore and, if determined to be economic, develop the Tuvatu Gold Deposit. Additional funding will also be required to investigate, acquire and explore any new projects. If the going concern assumption is not appropriate for these financial statements, adjustments might be necessary to the carrying values of assets and liabilities, and the balance sheet classification used.

Since inception, the Company has financed its operations primarily through the sale of common shares. For the foreseeable future, it will need to rely on the sale of such securities for sufficient working capital and to finance further acquisitions and exploration and development of its mineral properties. As the Company does not generate any revenues from operations, its long term profitability will be directly related to the success of our mineral properties.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Mineral properties and exploration costs

The Company records its interests in mineral properties and exploration costs, which consist of costs attributable to the exploration of mineral property interests owned by the Company, at cost. All direct costs are capitalized until the properties to which they relate are placed into production, sold or abandoned. When a property is put into commercial production, the related expenditures are depleted based upon the proven reserves. If a property is sold or abandoned, the related expenditures are charged to operations. The Company does not accrue the estimated future costs of maintaining in good standing its mineral property.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of an option agreement. Because options are exercisable at the discretion of the optionee, the amounts payable or receivable are not recorded at the time the option is acquired or granted. Option payments are recorded as property costs or recoveries when the payments are made or received.

The carrying values of mineral interests are reviewed by management periodically on a property-by-property basis to determine if they have become impaired. If impairment is identified, the mineral property is written down to its fair value and the write-down charged to exploration expense. The ultimate recoverability of the amounts capitalized for the mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof.

Prior to the current fiscal year end the Company did not have any mineral property interests. However, subsequent to the year end the Company entered into an agreement to acquire all of the outstanding shares of AME. The principal assets of AME are mineral properties located in the Fijian Islands (see Notes 1 and Note10).

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

Short-term investments consist of an \$800,000 (2009: \$800,000 & 2008: \$1,079,155) variable rate, redeemable guaranteed investment certificate issued through a Canadian chartered bank with a term of one year and a variable interest rate of Prime minus 1.8 percent (2009: Prime minus 2.25 percent). The Company does not have any short-term investments in asset backed commercial paper.

Income taxes

Income taxes are accounted for using the liability method pursuant to the Canadian Institute of Chartered Accountants Handbook Section 3465, Income Taxes. Future income tax assets and liabilities are recognized for the tax consequences of “temporary differences” by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amount and the tax basis of existing assets and liabilities. The effect on future taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, Section 3465 requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

Loss per share

Basic and diluted loss per share is computed using the weighted average number of common shares outstanding during the year. When reporting net losses, no adjustment is made for share dilution as the effect would be anti-dilutive.

Stock-Based Compensation

The Company accounts for stock-based compensation expenses using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this standard, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus under shareholders’ equity. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock. Under certain circumstances, the fair value of stock options granted to non-employees may be re-measured on each balance sheet date.

3. ACCOUNTING CHANGES:

(a) Adoption of new accounting standards:

On September 1, 2008, the Company adopted the CICA Handbook Sections 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation and Section 1400, General Standards of Financial Statements. On May 1, 2008, the Company adopted EIC-172, Income Statement Presentation of a Tax Loss Carry forward. In January 2009, the Company adopted EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. On March 27, 2009, the Company adopted ECI-174, Mining Exploration Costs.

Capital Disclosure

Section 1535 requires disclosure of the Company's objectives, policies and processes for managing capital including: quantitative data about what is considered capital, whether the entity has complied with all capital requirements and the consequences of non-compliance if the entity has not complied. These disclosures are included in note 5.

Financial Instruments

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation generally replace previous Section 3861, Financial Instruments – Disclosure and Presentation. These sections establish standards for the presentation of financial instruments and non-financial derivatives and increased disclosure requirements including the disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks (see note 7).

General Standards of Financial Statements

Section 1400, General Standards of Financial Statements. This section requires management to make an assessment of the Company's ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future which is at least, but not limited to, twelve months from the balance sheet date. The disclosure required by CICA 1400 is included in Note 1 to the financial statements.

EIC 172 – Income Statement Presentation of a Tax Loss Carry forward

Effective May 1, 2008, the Company adopted EIC-172, "Income Statement Presentation of a Tax Loss Carry forward Recognized Following an Unrealized Gain in Other Comprehensive Income". This abstract provides guidance on whether the tax benefit from the recognition of previously unrecognized tax loss carry forwards consequent to the recording of unrealized gains in other comprehensive income, such as unrealized gains on available-for-sale financial assets, should be recognized in net income or in other comprehensive income. The abstract should be applied retrospectively, with restatement of prior periods from January 1, 2007, the date of adoption of CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". The adoption of this standard had no impact on the financial statements.

EIC 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company has evaluated the impact of EIC-173 on adoption and determined that no adjustments were required.

3. ACCOUNTING CHANGES (Continued):

EIC 174 – Mining Exploration Costs

On March 27, 2009, the CICA approved ECI-174 “Mining Exploration Costs” and the Company adopted this standard on that date. This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. As the Company had not incurred any mining exploration costs prior to March 27, 2009, adoption of this requirement did not change the Company’s financial position in prior periods. The above noted newly adopted standards have no material impact on the classification and measurement in the financial statements.

(b) Recent accounting pronouncements:

In February 2008, the CICA Accounting Standards Board (AcSB) confirmed the changeover to International Financial Reporting Standards (IFRS) from Canadian Generally Accepted Principles (GAAP) will be required for publicly accountable enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. The transition date of September 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011. While the Company has begun assessing the adoption of IFRS for August 31, 2012, the financial reporting impact of the transition to IFRS cannot be definitively estimated at this time. IFRS conversion represents a significant change in accounting standards and the transition from current Canadian GAAP to IFRS is a significant undertaking. In response, the Company completed its high-level IFRS changeover plan during 2009 and has established a preliminary timeline for the execution and completion of the conversion project.

Subsequent to the year end the Company engaged IFRS specialists to assist in the conversion process including an assessment of the significant differences between current Canadian GAAP and IFRS, an assessment of the various elections available and the establishment of an opening IFRS balance sheet. The changeover plan also includes an assessment of the potential effects of IFRS to accounting and reporting processes, information systems, business processes and external disclosures.

The Company will also continue to monitor standards development as issued by the IASB and the AcSB as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS. In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets. This section provides guidance on the recognition, measurement,

presentation and disclosure of goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009, with earlier application encouraged. The Company has determined that this new accounting standard has had no impact on its financial statements.

3. ACCOUNTING CHANGES (Continued):

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards. Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS3 – "Business Combinations". The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 – "Consolidated and Separate Financial Statements" and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

4. SHARE CAPITAL

[a] Authorized

100,000,000 common shares without par value

[b] Issued and fully Paid

	Number of Shares #	Share Capital \$	Contributed Surplus \$
Balance at August 31, 2007	6,300,001	1,883,887	275,298
Stock based compensation			34,406
Balance at August 31, 2008	6,300,001	1,883,887	309,704
Stock based compensation			69,723
Balance at August 31, 2009	6,300,001	1,883,887	379,427
Stock based compensation			35,037
Balance at August 31, 2010	6,300,001	1,883,887	414,464

[c] Stock options

As at August 31, 2010, the Company has outstanding directors' and employees' incentive stock options enabling the holders to acquire additional common shares as follows:

No. of Shares	Exercise Price	Expiry Date
220,000	\$0.50	February 6, 2013
375,000	\$0.35	February 9, 2014
595,000		

At August 31, 2010, the Company had a stock-based compensation plan in effect. This plan allows for the grant of stock options to eligible personnel to purchase a maximum of 1,044,000 common shares. Options granted under the plan vest over a period of two years from the date of grant.

A summary of the stock option activity for periods presented is as follows:
 Weighted Average Number Exercise of Shares Price Description #

Options outstanding at August 31, 2007	267,000	\$0.51
Options expired	(167,000)	0.37
Options granted	525,000	0.50
Options outstanding at August 31, 2008	625,000	\$0.54
Options expired	(100,000)	0.75
Options forfeited	(230,000)	0.50
Options granted	385,000	0.35
Options outstanding at August 31, 2009	680,000	\$0.43
Options expired	-	-
Options forfeited	(85,000)	0.35
Options granted	-	-
Options outstanding at August 31, 2010	595,000	\$0.40

The following table summarizes the options outstanding at August 31, 2010:

Options Outstanding			Options Exercisable	
Number of Common Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Common Shares	Weighted Average Exercise Price
595,000	40 months	\$0.40	411,250	\$0.42

The grant date fair value of stock option grants in 2009 was \$0.12 and was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility of 50.50 percent; risk-free interest rate of 3.19 percent; expected life of 4 years; and an expected dividend yield of 0 percent.

The grant date fair value of stock option grants in 2008 was \$0.23 and was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility of 50.50 percent; risk-free interest rate of 3.19 percent; expected life of 4 years; and an expected dividend yield of 0 percent.

5. CAPITAL MANAGEMENT

The Company's capital management policy is to maintain a strong, but flexible capital structure that optimizes the cost of capital, creditor and market confidence while sustaining the future development of the business. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. As at August 31, 2010, total shareholders' equity (managed capital) was \$741,608 (2009: \$943,894 & 2008: \$1,132,651). In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending.

The Company is not subject to externally imposed capital requirements. There were not changes to the Company's approach to capital management during the year ended August 31, 2010.

6. RELATED PARTY TRANSACTIONS

The Company pays management companies with one director in common for shared office costs . During the year ended August 31, 2010, \$45,426 (2009: \$104,107 & 2008: \$93,839) in such costs were incurred and recorded at the exchange amount. At August 31, 2010, accounts payable includes \$54,479 (2009: \$2,043 & 2008: \$6,726) accrued on this basis.

During the current year the Company paid a management company with one common director \$1,562 for amounts outstanding at August 31 2009 for shared office costs.

During the current year the Company paid a company with one common director \$ 1,192 for amounts outstanding at August 31, 2009 for shared costs.

During the current year the Company paid professional fees of \$893 (2009: \$850 & 2008: Nil) to a company with a common director.

During the current year a \$50,000 non-interest bearing loan was advanced to a company with a common director. The loan was repaid prior to year end.

7. FINANCIAL INSTRUMENTS

Financial instruments of the Company comprise cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities. The carrying values of these financial instruments do not materially differ from their fair values due to their ability for prompt liquidation or their short term to maturity.

The Company's financial instruments are exposed to credit and liquidity risks. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would require such hedging activities.

7. FINANCIAL INSTRUMENTS (continued):

a) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will not discharge its obligations, resulting in a financial loss to the Company. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and short-term investments. The Company limits its exposure to credit loss by placing the majority of its cash and cash equivalents and short-term investments with high credit quality financial institutions.

As at August 31, 2010 and 2009, all of the Company's cash and cash equivalents and short term investments were held by a single high credit quality financial institution.

The Company's maximum exposure to credit risk at year end is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$29,150	\$155,109	\$72,786
Short term investments	800,000	800,000	1,079,155
Interest receivable	<u>3,168</u>	<u>2,258</u>	<u>1,430</u>
	<u>\$832,318</u>	<u>\$957,367</u>	<u>\$1,151,941</u>

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities are comprised of accounts payable and accrued liabilities. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and the Company's current cash flow position to meet its obligations. The Company manages its liquidity risk by maintaining sufficient cash and cash equivalents and short term investment balances to meet its anticipated operational needs.

The Company's financial liabilities, consisting of accounts payable and accrued liabilities, arose as a result of general office overhead expenses, professional and filing fees associated with the management of a public company and due diligence costs associated with the evaluation of mineral properties. Payment terms on these liabilities are typically one to thirty days from receipt of invoice and do not generally bear interest.

The following table summarizes the remaining contractual maturities of the Company's financial liabilities:

	2010	2009	2008
Accounts payable and accrued liabilities	\$111,150	\$ 23,097	\$27,889

8. INCOME TAXES –

[a] The components of future income tax are as follows:

	2010	2009	2008
	\$	\$	\$
Future tax assets:			
Non-capital losses carried forward	121,000	107,000	81,000
Resource properties and other	64,000	64,000	66,000
Eligible Capital Expenditures	19,000	-	-
	<u>204,000</u>	<u>173,000</u>	<u>147,000</u>
Less: valuation allowance	(204,000)	(173,000)	(147,000)
	<u>-</u>	<u>-</u>	<u>-</u>

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

[c] The Company has accumulated non-capital losses for income tax purposes of approximately \$482,000. The losses expire in the following years:

	\$
2014	42,000
2015	50,000
2027	1,000
2028	102,000
2029	176,000
2030	<u>111,000</u>
	<u>482,000</u>

[d] The Company's unused Canadian exploration expenses totaling approximately \$254,000 are also available to reduce Canadian taxable income earned in future years. These unused expenses can be carried forward indefinitely.

[e] A reconciliation of the Company's income tax expense (recovery) computed at the statutory rate to income tax expense (recovery) computed at the effective rate is as follows:

	2010	2009	2008
	\$	\$	\$
Net loss for the year	237,323	(258,480)	(136,169)
Statutory tax rate	29.00%	30.33%	32.21%
Net Canadian income tax expense (recovery) based on			
Statutory rates	(68,824)	(78,406)	(43,855)
Effect of permanent differences	16,770	22,115	11,081
Effect of changes in effective tax rates	4,871	12,527	24,834
Increase in valuation allowances	30,443	26,896	7,340
Effect of expired non-capital losses	16,740	17,100	-
Other	-	(232)	600
Income tax expense	-	-	-

9. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration and development of mineral properties. As at August 31, 2010, the Company has not acquired any mineral properties. However, subsequent to year end entered into a non-binding letter of intent to acquire certain mineral properties in the Fijian Islands.

10. SUBSEQUENT EVENT

Subsequent to year end, on November 1, 2010 the Company has entered into a definitive merger agreement with AME. The parties agreed to an arrangement by which the Company will acquire all of the outstanding shares of AME. Pursuant to the terms of the Agreement, all of the common shares of AME shall become exchangeable for common shares of the Company on a basis of one (1) common share of AME for one (1) common share of the Company. AME and X-Tal currently have 21,108,543 and 6,300,001 common shares outstanding, respectively. The Company will also complete a name change to Lion One Metals Limited and plans to undertake to raise up to \$10,000,000 in the financial markets to fund further development of the Tuvatu Gold Property. The transaction is conditional upon the receipt of shareholder approval and other corporate approvals, regulatory approval and court approval in accordance with the provisions of the Business Corporation Act (British Columbia). Upon successful completion of the transaction the Company has contracted to pay a bonus of \$80,000 to a director of the Company.

11. COMPARATIVE AMOUNTS

Certain of the prior years' comparative amounts have been reclassified to conform to current year presentation.