Jiulian Resources Inc.

Financial Statements
Expressed in Canadian Dollars

For The Year Ended February 28, 2010

Contents

Financial Statements

CHARTERED
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Auditors' Report

To the Shareholders of
Jiulian Resources Inc.

We have audited the balance sheets of Jiulian Resources Inc. as at February 28, 2010 and February 28, 2009 and the statements of operations, comprehensive loss and deficit, and cash flows for the years then. 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 disclosure in these 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 February 28, 2010 and February 29, 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
June 3, 2010

"MacKay LLP"
Chartered Accountants

Jiulian Resources Inc.
Balance Sheets
Expressed in Canadian Dollars

	February 28, 2010	February 28, 2009
ASSETS		
Current		
Cash	$ 55,334	$ 82,268
Term deposit (Note 3)	1,532,285	1,711,525
Prepaid expenses	2,905	1,650
GST recoverable	8,272	857
	1,598,796	1,796,300
Equipment (Note 4)	21,912	982
Mineral Properties (Note 5)	79,368	-
TOTAL ASSETS	**$ 1,700,076**	**$ 1,797,282**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 11,875	$ 8,467
Due to related party	-	10,078
	11,875	18,545
Shareholders' Equity		
Share capital (Note 8)	1,984,950	1,944,950
Contributed surplus (Note 8)	35,500	45,500
Deficit	(332,249)	(211,713)
	1,688,201	1,778,737
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**$ 1,700,076**	**$ 1,797,282**

- Continuance of operations (Note 1)
- Commitment (Note 10)
- Subsequent events (Note 11)

On behalf of the Board:

"X. Charlie Cheng" **Director** *"James Zhang"* **Director**

See accompanying notes to the financial statements

Jiulian Resources Inc.

Statements of Operations, Comprehensive Loss and Deficit
Expressed in Canadian Dollars

	Year Ended February 28, 2010	Year Ended February 28, 2009
Administration Expenses		
Accounting and audit	$ 14,270	$ 10,628
Amortization	4,213	804
Bank charges	393	389
Consulting fees	27,915	21,000
Filing and transfer agent fees	15,351	15,921
Legal	20,532	26,859
Office and administration	24,137	27,090
Salaries and benefits	38,481	38,481
Travel and related expenses	329	9,948
Loss before other items	145,621	151,120
Other Items		
Interest income	32,970	65,188
Gain (loss) on currency exchange	(7,885)	10,337
Net and comprehensive loss for the year	(120,536)	(75,595)
Deficit, beginning of year	(211,713)	(136,118)
Deficit, end of the year	$ (332,249)	$ (211,713)
Basic and diluted loss per share	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	9,437,957	9,320,000

See accompanying notes to the financial statements

Jiulian Resources Inc.

Statements of Cash Flows
Expressed in Canadian Dollars

		Year Ended February 28, 2010		Year Ended February 28, 2009
Cash Flows From Operating Activities				
Net loss for the year	$	(120,536)	$	(75,595)
Items not affecting cash:				
Amortization		4,213		804
Employee stock compensation		-		-
Loss (gain) on foreign exchange		7,886		(10,337)
Changes in non-cash working capital items:				
Accrued interest on term deposit		7,705		11,697
Prepaid expenses		(1,255)		(30)
GST recoverable		(7,415)		3,385
Accounts payable and accrued liabilities		3,407		(29,571)
Due to related party		(10,078)		-
Net cash flow from operating activities		(116,073)		(99,647)
Cash Flows From Investing Activities				
(Acquisition) redemption of term deposits		171,535		100,000
Purchase of equipment		(25,143)		-
Acquisition and exploration of mineral properties		(69,368)		
Net cash from investing activities		77,024		100,000
Cash Flows From Financing Activities				
Proceeds from issuance of shares		20,000		-
Net cash from financing activities		20,000		-
Effect of foreign exchange on cash		(7,885)		10,337
Increase in cash during the year		(26,934)		10,690
Cash, beginning of year		82,268		71,578
Cash, end of year	$	55,334	$	82,268
Supplemental cash flow Information:				
Interest paid	$	-	$	-
Income taxes	$	-	$	-
Non-cash financing transaction:				
Shares issued for mineral property	$	10,000	$	-

See accompanying notes to the financial statements

Note 1 **NATURE AND CONTINUANCE OF OPERATIONS**

Jiulian Resources Inc. (the “Company”) was incorporated on October 17, 2006 under the laws of British Columbia. The Company was a capital pool Company as defined in the TSX Venture Exchange (the “Exchange”) Policy 2.4. On July 28, 2009, the Exchange accepted for filing the Company’s Qualifying Transaction, as a result, the Company resumed trading as a Tier 2 mining company under the symbol “JLR”, on August 26, 2009. The Company is now pursuing opportunities in the acquisition, exploration and development of mineral resource properties.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated revenues since inception and has never paid dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations, confirmation of the Company's interests in the underlying properties, and the attainment of profitable operations. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

Note 2 **SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Company have been prepared in accordance with Canadian GAAP and are stated in Canadian dollars.

a) **Estimates and Assumptions**
The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

b) **Income taxes**
Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates at the date of enactment or substantive enactment.

Note 2 **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd**)**

c) **Loss per Share**

The Company uses the treasury stock method of calculating diluted per share amounts whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact in 2010 and 2009.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year.

d) **Cash and cash equivalents**

Cash and cash equivalents include cash, bank deposits, and highly liquid investments redeemable at any time and are stated at cost, which approximates fair value. The Company minimizes its credit risk by investing in cash equivalents with a major Canadian bank. Management believes that no concentration of credit risk exists with respect to investment of its cash and cash equivalents.

e) **Equipment**

Equipment is stated at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the assets at the following annual rates and methods:

Automotive	30% using the declining balance method
Computer equipment	45% using the declining balance method

f) **Impairment of Long-Lived Assets**

The Company has adopted the recommendations of CICA Handbook Section 3063 "Impairment of Long-lived Assets" and abstract EIC 174, "Mining Exploration Costs" ("EIC 174") of the Emerging Issues Committee on a prospective basis. Section 3063 requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstance indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated.

EIC 174 provides that an enterprise that is in the development stage with initially capitalized exploration costs but has not established mineral reserves objectively and therefore does not have a basis for preparing a projection of the estimated future net cash flow from the property, is not obliged to conclude that

Note 2 **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

f) **Impairment of Long-Lived Assets** (Cont'd)

the capitalized costs have been impaired. However, such an enterprise should consider whether a subsequent write-down of capitalized exploration costs related to mining properties is required.

Equipment is tested for impairment when evidence of a decline in value exists. If it is determined that the carrying value of the equipment is not recoverable, a write-down to fair value is charged to earnings in the year that such a determination is made.

g) **Stock Based Compensation**

The Company accounts for stock options granted to directors, officers, employees and nonemployees using the fair value method of accounting. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Company accounts for actual forfeitures as they occur.

h) **Share issue costs**

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

i) **Foreign currency translation**

Monetary assets and liabilities are translated at balance sheet date exchange rates; other assets and liabilities have been translated at the rates prevailing at the date of transaction. Revenue and expense items, except for amortization, are translated at the average rate of exchange for the period. Amortization is converted using the rates prevailing at the dates of acquisition. Gains and losses from foreign currency translation are included in the statements of operations.

Note 2 **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

j) **Financial Instruments**

Under Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement and Section 3862 & 3863, Financial Instruments - Disclosure and Presentation, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions.

Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial assets and liabilities are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial assets are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held to maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, de-recognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financial instruments will be expensed in the period incurred.

As a result of the adoption of these new standards, the Company has classified its cash and term deposits as held-for-trading. Receivables are classified as loans and receivables. Accounts payable, accrued liabilities and due to related parties are classified as other financial liabilities.

k) **Mineral Properties**

The Company capitalizes acquisition and exploration expenditures related to mineral properties on an individual prospect basis until such time as an economic mineral body is defined or a prospect is abandoned. Amortization of assets used in connection with capitalized mineral property costs is also capitalized. Unrecoverable costs for projects determined not to be commercially feasible are expensed in the period in which the determination is made. Holding costs to maintain a property on a care and maintenance basis are expensed as incurred.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Note 2 **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

k) **Mineral Properties** (Cont'd)
Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous history characteristic of many mineral properties. The Company has investigated title to its mineral property and, to the best of its knowledge, title to its property is in good standing.

l) **Asset retirement obligations**
The Company recognizes the fair value of a legal liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair 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 liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method ofallocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operation. 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 a carrying amount of the liability and the related long-lived asset.

The Company does not have significant asset retirement obligations.

m) **Accounting standards newly adopted**
Section 3064, Goodwill and intangible assets
In February 2008, the CICA issued Handbook Section 3064 "Goodwill and intangible assets" which is required to be adopted for fiscal years beginning on or after March 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. The Company does not expect that the adoption of this new Section will have a material impact on its financial statements.

Business Combinations
In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Estimated obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted.

Note 2 **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

m) **Accounting standards newly adopted** (Cont'd)

Consolidated financial statements
In January 2009, the CICA issued Handbook Section 1601, consolidated financial statements, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011.

Non controlling interests
In January 2009, the CICA issued Handbook Section 1602, Non-controlling interests, which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for interim and annual consolidated financial statements beginning on or after January 1, 2011.

The Company is required to adopt Sections 1582, 1601 and 1602 concurrently; at this time the Company does not anticipate adopting these sections prior to the adoption of IFRS and therefore does not expect any impact to the financial statements.

International Financial Reporting Standards
In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("GAAP") and IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of March 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011.

The Company has not yet completed a full evaluation of the adoption of IFRS and is impact on its financial position and result of operations.

Note 3 **TERM DEPOSIT**

The term investment (redeemable) is a Guaranteed Investment Certificate at a chartered Canadian bank and interest is accrued at a fixed rate of 0.90% per annum, maturing Nov 20, 2010.

Note 4 **EQUIPMENT**

		February 28, 2010	
Description	Cost	Accumulated Amortization	Net Book Value
Automotive	$25,143	$3,771	$21,372
Computer equipment	2,161	1,620	540
Total:	**$27,303**	**$4,950**	**$21,912**

		February 28, 2009	
Description	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$2,161	$1,179	$982

Note 5 **MINERAL PROPERTY**

Pursuant to an option agreement with Happy Creek Minerals Ltd. (“Happy Creek”), the Company has an option agreement to acquire up to a 65% interest, in the Hawk Project located in the south-central Cariboo region of British Columbia (which includes the Grey Property), subject to an existing 2.5% NSR on the Hawk Project and an existing 2% NSR on the Grey Option. The grey property adjoins the Hawk Project to the south.

Consideration for an initial 55% interest consists of cash payments of $150,000, issuing an aggregate of 700,000 shares to Happy Creek and incurring aggregate exploration expenditures on the Hawk Project of $700,000 over a period of three years.

The Company has the exclusive option right to acquire an additional 10% interest in the Hawk Project by incurring additional exploration expenditures of $500,000 on the project on or before August 25, 2013.

Note 5 **MINERAL PROPERTY** (Cont'd)

Pursuant to the option agreement, the Company paid cash of $15,000 and issued 100,000 common shares to Happy Creek on August 25, 2009.

Accumulated mineral property costs have been incurred as follows:

Hawk Property, British Columbia	Opening Balance	2010	Total
Acquisition Costs	$ -	$ 35,000	$ 35,000
Exploration Costs			
Assays	-	2,806	2,806
Consulting	-	36,328	36,328
Licenses, tax and insurance	-	546	546
Travel and accommodation	-	2,740	2,740
Field supplies and miscellaneous	-	1,948	1,948
Balance, end of the year	$ -	$ 79,368	$ 79,368

Note 6 **RELATED PARTY TRANSACTION**

During the year ended February 28, 2010, the Company paid consulting fees of $45,200 to certain directors of the Company. $18,215 of the consulting fees has been recorded in office expenses and $26,985 has been capitalized to mineral properties.

The transactions with related parties are in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

Note 7 **FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT**

The carrying value of cash, term deposit, accounts payable and accrued liabilities and due to related party approximate fair value due to the short-term nature of these financial instruments. The Company has incurred expenditures that are payable in U.S. dollars. The Company is therefore subject to currency exchange risk arising from the degree of volatility of changes in exchange rates between Canadian dollar and the U.S. dollar. Financial instruments that potentially subject the Company to concentration of credit risk consist principally of the term deposit. The Company places its term deposit with high credit quality financial institutions. The Company is not exposed to significant interest rate and credit risks. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

Note 7 **FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT** (Cont'd)

Credit Risk
Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash, and accounts receivable. The Company has no significant concentration of credit risk arising from operations. Accounts receivables consist of Goods and Services Tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to accounts receivable is remote. Management does not believe the receivables are impaired.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company tries to ensure that there is sufficient working capital to fund its ongoing operating expenditures. At February 28, 2010 the Company had a positive working capital of $1,586,921 (2009 - $1,777,755).

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, equity prices, and exposure of long term investments.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short term interest rates through the interest earned on cash balances. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in short-term deposits with its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Foreign Currency Exchange Rate Risk
Foreign currency exchange rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian dollars and US dollars. The Company maintains US dollars bank accounts in Canada to support cash inflows and outflows in US dollars. Management believes the foreign exchange risk derived from currency conversions is minimal and therefore does not hedge its foreign exchange risk

Note 7 **FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT** (Cont'd)

Foreign Currency Exchange Rate Risk (Cont'd)

As at February 28, 2010, the Company had the following financial instruments in US$:

	CAD $ equivalent	US $
Cash	$37,578	$35,702

As at February 28, 2010, US$ amounts were converted at a rate of US$1 to $1.0525 Canadian dollars.

Fair Value Hierarchy

Financial instruments recorded at fair value on the Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the Balance Sheet, classified using the fair value hierarchy described above:

Assets	Level 1	Level 2	Level 3
Cash	$ 37,578	$ -	$ -

Note 7 **FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT** (Cont'd)

Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from 2009.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, contributed surplus, and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to external covenants.

Note 8 **SHARE CAPITAL**

a) **Authorized:**

An unlimited number of common voting shares without par value.

b) **Common Shares Issued:**

	2010		2009	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	9,320,000	$ 1,944,950	9,320,000	$ 1,944,950
Issued for cash:				
Agents options exercised	200,000	30,000	-	-
Issued for mineral property	100,000	10,000	-	-
Share issuance costs	-	-	-	-
Balance, end of year	**9,620,000**	**$ 1,984,950**	**9,320,000**	**$1,944,950**

Note 8 **SHARE CAPITAL** (Cont'd)

b) **Common Shares Issued** (Cont'd):

Share issuances:

On June 18, 2009, an agent options were exercised, 200,000 common shares were issued at $0.10 per share.

On August 25, 2009, pursuant to an option agreement, the Company issued 100,000 common shares to the Vendor at a value of $10,000. The shares were valued using the bid price on this date of $0.10 per share, as per the TSX Venture Exchange.

c) **Escrow Shares:**

As of February 28, 2010, the Company had 2,430,000 (2009 – 2,700,000) common shares in escrow.

The shares will be released from escrow upon issuance of a notice of final acceptance of a Qualifying Transaction by the Exchange. Such releases will either be over a period of 18 months or 3 years depending on the determination as to the Tier upon which the Company's shares are listed. While escrowed, the escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the Exchange.

d) **Stock Options**

The Board of Directors of the Company may from time to time, in its discretion, and in accordance with Exchange requirements, grant to directors and officers of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company, exercisable for a period of up to five years, from the date of grant. There are no vesting requirements under the stock option plan. The Board may, however, add such provisions in its discretion on a grant by grant basis.

Note 8 **SHARE CAPITAL** (Cont'd)

d) **Stock Options** (Cont'd)

As at February 28, 2010 the Company had outstanding stock options enabling the holders to acquire 390,000 shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Stock options	350,000	$ 0.10	June 19, 2012
Stock options	40,000	$ 0.36	July 15, 2012
	390,000		

No options were granted, exercised or expired during the current year.

A summary of the status of the Corporation's stock options as of February 28, 2010, February 28, 2009, and changes during the years are as follows:

	2010		2009	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding and exercisable, beginning of year	390,000	$ 0.12	390,000	$ 0.12
Granted	-	-	-	-
Options outstanding and exercisable, end of year	390,000	$ 0.12	390,000	$ 0.12

e) **Contributed Surplus**

	2010	2009
Beginning of year	$ 45,500	$ 45,500
Stock based compensation	-	-
Allocation to share capital	(10,000)	-
End of year	$ 35,500	$ 45,500

Note 9 **INCOME TAXES**

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

Year ended	**February 28, 2010**	**February 28, 2009**
Net loss for the year before income tax	$ (120,536)	$ (75,595)
Combined federal and provincial tax rate	29.75%	31.75%
Income tax recovery at statutory rates	$ (35,859)	$ (24,001)
Unrecognized items for tax purposes	153	266
Effects of tax rate change	7,966	8,850
Change in valuation allowance	27,740	14,885
Future income taxes expense	$ -	$ -

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

	2010	**2009**
Non-capital loss carry forwards	$ 79,933	$ 50,251
Share issue costs	5,325	8,307
Equipment	1,369	328
Valuation allowance	(86,627)	(58,886)
	$ -	$ -

The Company has available non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses in the amount of $319,733 expire as follows:

2027	$ 13,784
2028	94,885
2029	84,604
2030	126,460
	$ 319,733

In addition the Company has financing costs of $21,300 available for tax deduction. The Company has not recognized any future income tax asset as realization is not considered more likely than not due to the uncertainty of the business and future taxable income.

Note 10 **COMMITMENT**

On April 9, 2009, the Company announced it has signed an option agreement to acquire up to a 65% interest for a qualified mineral property with Happy Creek Minerals Ltd., a Canadian resource company. The Company is required to make cash payments of $150,000, issue 700,000 shares and incur $700,000 expenditures in 3 years to earn a 55% interest, and incur an additional $500,000 in expenditures in year 4 to earn an additional 10% interest.

A summary of the commitment is listed below:

Hawk Property, British Columbia		Cash Payments	Share Issuances		Exploration Expenditures
Upon conditional acceptance by TSX Venture Exchange of the transaction (paid)	$	10,000	-	$	-
Upon receipt of final acceptance of the transaction by TSX Venture Exchange (paid, and issued)		15,000	100,000		-
on or before March 31, 2010 (Paid)		20,000	-		-
on or before August 25, 2010		-	100,000		200,000
on or before March 31, 2011		45,000	-		-
on or before August 25, 2011		-	200,000		200,000
on or before March 31, 2012		60,000	-		-
on or before August 25, 2012		-	300,000		300,000
	$	150,000	700,000	$	700,000

The first $100,000 of the $200,000 expenditures referred to above are a firm commitment, and Jiulian is required to incur such expenditures on or before the first anniversary of the Final Exchange Bulletin. As only $44,368 in expenditures have been incurred on the property, the Company is liable to incur exploration expenditures of $55,632 on or before August 25, 2010.

Note 11 **SUBSEQUENT EVENTS**

On April 22, 2010, the Company announced that it has received a drilling permit for its planned 2010 drill program on the Hawk property located in south-central British Columbia, Canada.

On April 22, 2010, the Company has granted 530,000 incentive stock options to various directors, officers, employees and consultants of the Company. The options have a three year term at an exercise price of $0.15 per share and will be subject to a four month hold period. The fair value of these stock options is $37,059 using the Black Scholes option pricing model.