



(formerly "Nuukfjord Gold Ltd.")

**CONSOLIDATED FINANCIAL STATEMENTS**

**OCTOBER 31, 2010**

## AUDITORS' REPORT

To the Shareholders of  
Revolution Resources Corp.  
(formerly Nuukfjord Gold Ltd.)

We have audited the consolidated balance sheets of Revolution Resources Corp. (formerly Nuukfjord Gold Ltd.) as at October 31, 2010 and 2009 and the consolidated statements of operations and deficit and cash flows for the year ended October 31, 2010 and for the period from incorporation on July 14, 2009 to October 31, 2009. 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2010 and 2009 and the results of its operations and its cash flows for the year ended October 31, 2010 and for the period from incorporation on July 14, 2009 to October 31, 2009 in accordance with Canadian generally accepted accounting principles.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

January 21, 2011



**REVOLUTION RESOURCES CORP.**  
(formerly "Nuukfjord Gold Ltd.")  
CONSOLIDATED BALANCE SHEETS

	October 31, 2010	October 31, 2009
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 4,384,055	\$ 835,663
Receivables	<u>80,936</u>	<u>1,214</u>
	4,464,991	836,877
<b>Loans receivable</b> (Note 3)	300,000	-
<b>Equipment</b> (Note 4)	6,324	-
<b>Mineral property interests</b> (Note 5)	5,851,489	3,316,469
<b>Deferred finance costs</b> (Note 7)	<u>-</u>	<u>42,250</u>
	<u>\$ 10,622,804</u>	<u>\$ 4,195,596</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 301,714	\$ 42,061
Exploration expenditures payable (Note 5)	<u>6,065</u>	<u>1,057,204</u>
	<u>307,779</u>	<u>1,099,265</u>
<b>Shareholders' equity</b>		
Capital stock (Note 7)	12,659,871	4,415,000
Subscriptions receivable (Note 7)	-	(35,000)
Contributed surplus (Note 7)	1,516,529	-
Deficit	<u>(3,861,375)</u>	<u>(1,283,669)</u>
	<u>10,315,025</u>	<u>3,096,331</u>
	<u>\$ 10,622,804</u>	<u>\$ 4,195,596</u>

**Nature and continuance of operations** (Note 1)  
**Subsequent events** (Note 14)

**On behalf of the Board:**

\_\_\_\_\_  
*"Aaron Keay"* Director      \_\_\_\_\_  
*"Michael Williams"* Director

The accompanying notes are an integral part of these consolidated financial statements.

**REVOLUTION RESOURCES CORP.**  
(formerly "Nuukfjord Gold Ltd.")  
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	Year ended October 31, 2010	Period From Incorporation on July 14, 2009 to October 31, 2009
<b>ADMINISTRATION EXPENSES</b>		
Amortization (Note 4)	\$ 746	\$ -
Consulting fees	131,910	-
Directors fees	80,000	-
Financing fee (Note 6)	40,000	-
Insurance	25,188	-
Interest expense (Note 6)	27,329	-
Investor relations and promotion	270,019	-
Management fees	97,500	-
Office, shareholder communication and miscellaneous	208,745	11,662
Professional fees	160,562	22,250
Property investigation costs	50,166	-
Shareholder communication	99,745	-
Stock-based compensation (Note 7)	1,221,909	1,242,150
Transfer agent and filing fees	26,874	1,200
Travel	<u>151,280</u>	<u>6,407</u>
<b>Loss before other item</b>	(2,591,973)	(1,283,669)
<b>OTHER ITEM</b>		
Interest income	<u>14,267</u>	<u>-</u>
<b>Loss and comprehensive loss for the period</b>	(2,577,706)	(1,283,669)
<b>Deficit beginning of period</b>	<u>(1,283,669)</u>	<u>-</u>
<b>Deficit end of period</b>	<u>\$ (3,861,375)</u>	<u>\$ (1,283,669)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.08)</u>	<u>\$ (0.08)</u>
<b>Weighted average number of common shares outstanding</b>	<u>30,586,753</u>	<u>17,007,982</u>

The accompanying notes are an integral part of these consolidated financial statements.

**REVOLUTION RESOURCES CORP.**  
(formerly "Nuukfjord Gold Ltd.")  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year ended October 31, 2010	Period From Incorporation on July 14, 2009 to October 31, 2009
<b>CASH FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (2,577,706)	\$ (1,283,669)
Items not affecting cash:		
Amortization	746	-
Financing fee	40,000	-
Stock-based compensation	1,221,909	1,242,150
Changes in non-cash working capital items:		
Receivables	(79,722)	(1,214)
Accounts payable and accrued liabilities	<u>140,435</u>	<u>29,811</u>
Net cash used in operating activities	<u>(1,254,338)</u>	<u>(12,922)</u>
<b>CASH FROM INVESTING ACTIVITIES</b>		
Expenditures on mineral property interests	(3,454,691)	(596,765)
Loans receivable	(300,000)	-
Equipment	<u>(7,070)</u>	<u>-</u>
Net cash used in investing activities	<u>(3,761,761)</u>	<u>(596,765)</u>
<b>CASH FROM FINANCING ACTIVITIES</b>		
Proceeds on issuance of capital stock	9,440,000	1,475,350
Share issuance costs	(875,509)	-
Deferred finance costs	-	(30,000)
Loans payable	750,000	-
Loans payable repayment	<u>(750,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>8,564,491</u>	<u>1,445,350</u>
<b>Increase in cash during the period</b>	<b>3,548,392</b>	<b>835,663</b>
<b>Cash, beginning of period</b>	<u>835,663</u>	<u>-</u>
<b>Cash, end of period</b>	<u>\$ 4,384,055</u>	<u>\$ 835,663</u>
<b>Cash paid for interest during the period</b>	<u>\$ 27,329</u>	<u>\$ -</u>
<b>Cash paid for income taxes during the period</b>	<u>\$ -</u>	<u>\$ -</u>

**Supplemental disclosure with respect to cash flows (Note 8)**

The accompanying notes are an integral part of these consolidated financial statements.

## **REVOLUTION RESOURCES CORP.**

(formerly “Nuukfjord Gold Ltd.”)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2010

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Revolution Resources Corp. (formerly “Nuukfjord Gold Ltd.”) (the “Company”) is an exploration company incorporated on July 14, 2009 under the laws of the Province of British Columbia, Canada. The Company completed its Initial Public Offering (“IPO”) during the year ended October 31, 2010 and is listed on the Toronto Stock Exchange (“TSX”).

The Company is in the business of acquiring, exploring and developing economically viable mineral resource deposits on its mineral properties. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in completing its IPO and obtaining the required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Storgold Resources Ltd. (a British Columbia company). Significant inter-company transactions and balances have been eliminated on consolidation.

#### **Use of estimates**

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant accounts that require estimates relate to the impairment of mineral property interests, estimated useful lives for equipment, valuation of finder's fees on private placements, valuation allowance applied against future income tax assets and stock-based compensation.

#### **Equipment**

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at the following annual rates:

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Equipment (cont'd...)**

Computer equipment 30%

**Deferred finance 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 finance 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.

Financing charges that reflect the cost to obtain new debt financing are expensed as incurred.

**Mineral property interests**

All costs related to the acquisition, exploration and development of mineral property interests are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**Asset retirement obligations**

Asset retirement obligations are legal obligations associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. Liabilities include those liabilities related to environmental protection and rehabilitation due to environmental law or contracts. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. The Company does not have any significant asset retirement obligations.

**Stock-based compensation**

The Company uses the fair value method whereby the Company recognizes compensation costs over the vesting period for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

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**2. SIGNIFICANT ACCOUNTING POLICIES (cont’d...)**

**Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

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

**Income taxes**

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**Financial instruments**

Financial instruments are required to be classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value and changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired. There were no transitional adjustments as a result of the application of the financial instrument accounting policies. The Company has implemented the following classifications for its financial instruments:

- a) Cash has been classified as held-for-trading.
- b) Receivables and loans receivable have been classified as loans and receivables and measured at amortized cost.
- c) Accounts payable and accrued liabilities and exploration expenditures payable have been classified as other financial liabilities and are measured at amortized cost.

*Amendment to Financial Instruments - Disclosures*

The Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:



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**2. SIGNIFICANT ACCOUNTING POLICIES** (cont’d...)

**Financial instruments** (cont’d...)

*Amendment to Financial Instruments – Disclosures* (cont’d...)

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

See Note 11 for relevant disclosures.

**Comprehensive income**

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

**Comparative figures**

Certain comparative figures have been reclassified to conform with the current year’s presentation.

**New accounting standards**

*Business combinations, non-controlling interest and consolidated financial statements*

In October 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests” which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after October 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of financial statements. Section 1601 is applicable for the Company’s interim and annual financial statements for its fiscal year beginning November 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

*International financial reporting standards (“IFRS”)*

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 GAAP with 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 October 1, 2011. The transition date of November 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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**3. LOANS RECEIVABLE**

During the year ended October 31, 2010 the Company granted loans to certain Directors totaling \$300,000. The loans were solely used for acquiring shares of the Company and are repayable on August 12, 2014. The loans do not bear interest, unless in default, at which time the loans bear interest at 6% per annum. The loans are secured by the 2,000,000 common shares of the company acquired by the loan.

**4. EQUIPMENT**

	October 31, 2010			October 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computers	\$ 7,070	\$ 746	\$ 6,324	\$ -	\$ -	\$ -

**5. MINERAL PROPERTY INTERESTS**

	October 31, 2010			October 31, 2009
	Nuukfjord	Champion Hills	Total	Nuukfjord
<b>Exploration costs</b>				
Balance, beginning of period	\$ 1,589,080	\$ -	\$ 1,589,080	\$ -
Assays	151,820	1,091	152,911	249,391
Drilling	433,241	29,930	463,171	323,377
Equipment rental and maintenance	186,288	6,776	193,064	21,663
Field work, field personnel and geological consulting	777,831	127,204	905,035	480,741
Management fees	30,000	2,500	32,500	-
Project administration and report preparation	101,235	-	101,235	201,213
Travel and transportation	662,491	5,486	667,977	312,695
	<u>2,342,906</u>	<u>172,987</u>	<u>2,515,893</u>	<u>1,589,080</u>
Balance, end of period	<u>3,931,986</u>	<u>172,987</u>	<u>4,104,973</u>	<u>1,589,080</u>
<b>Acquisition costs</b>				
Balance, beginning of period	1,727,389	-	1,727,389	-
Issuance of common shares	-	-	-	1,662,500
Other acquisition costs	-	19,127	19,127	64,889
Balance, end of period	<u>1,727,389</u>	<u>19,127</u>	<u>1,746,516</u>	<u>1,727,389</u>
	<u>\$ 5,659,375</u>	<u>\$ 192,114</u>	<u>\$ 5,851,489</u>	<u>\$ 3,316,469</u>

**5. MINERAL PROPERTY INTEREST (cont'd...)**

**Title to mineral properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral titles as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to the all its properties and, to the best of its knowledge, title to all of its properties is in good standing.

***Champion Hills (USA)***

During fiscal 2010 the Company entered into a purchase and sale agreement with a non-arm's length private company. Under the terms of the purchase and sale agreement, the Company can acquire a 90% interest in two option and lease agreements for total consideration of 2,000,000 common shares and US\$375,000 payable over a 9 month period. The Company has the right of first refusal on the remaining 10% after incurring US\$1,000,000 in exploration expenditures. Subsequent to October 31, 2010, the Company received TSX approval, issued 2,000,000 common shares and paid US\$75,000. On completion of the purchase and sale agreement, the Company will be assigned 90% of the rights and obligations under the option and lease agreements on the two mineral properties.

The Company subsequently entered into various additional option and purchase agreements directly with the property owners which entitle the Company to acquire 100% of the properties. The Company paid \$19,127 (US\$18,250) on signing.

As at October 31, 2010 the various option and purchase agreements cover approximately 278 acres, require annual lease payments of US\$200 per acre over a five year term and US\$1 per foot drilled. The Company has the option to purchase each land package for the greater of 150% of the appraised value or a certain fixed price. Upon commencement of commercial production the properties are subject to a 2% Net Smelter Returns Royalty ("NSR").

***Nuukfjord (Greenland)***

By agreement dated July 17, 2009, as amended July 18, 2009, December 21, 2009 and February 25, 2010 (the "Acquisition Agreement") the Company acquired all of the issued and outstanding shares of Storgold Resources Ltd. ("Storgold"). Storgold's material asset at that time was a property option agreement (the "Option Agreement") with NunaMinerals A/S (a public Danish company) on certain mineral licenses in Greenland (the "Property"). Pursuant to the Acquisition Agreement, the Company issued 6,650,000 common shares valued at \$1,662,500, granted a 0.5% NSR and reimbursed the vendors' prior expenditures incurred in negotiating the Option Agreement of \$64,889, which were recorded as other acquisition costs, and \$13,967 recorded as exploration costs.

Pursuant to the Acquisition Agreement, the Company raised financing of \$1,250,000 and listed its common shares on the TSX.

The Option Agreement entitles the Company to earn up to a 65% interest in the Property, in incremental phases. To earn the full 65% interest the Company is required to pay \$23,000,000 towards exploration expenditures over four years. The payments toward exploration expenditures and the interest earned are as follows:

Phase A – In earning its initial 15% interest the Company advanced \$3,500,000 in exploration expenditures.

**5. MINERAL PROPERTY INTEREST (cont'd...)**

*Nuukfjord (Greenland)* (cont'd...)

Phase B – The Company is required to advance an additional \$3,500,000 towards exploration expenditures by September 30, 2011 for an additional 15% interest,

Phase C – The Company is required to advance an additional \$4,500,000 towards exploration expenditures by September 30, 2012 for an additional 19% interest,

Phase D – The Company is required to advance an additional \$11,500,000 towards exploration expenditures by September 30, 2013 for an additional 16% interest.

Pursuant to the Option Agreement, NunaMinerals A/S is the operator, and will conduct all work on the Property. NunaMinerals A/S may, at its election, incur exploration expenses in advance of the option payment dates, which will be subsequently reimbursed by the Company.

The Company's completion of Phase A was mandatory, whereas advancement of funds required to exercise the option in respect of Phase B, C and D respectively are entirely at the Company's option. Upon the completion of any of Phases A, B or C, the Company has the option to form a joint venture partnership with NunaMinerals A/S or to complete the next phase. Upon the completion of Phase D a joint venture will have deemed to have formed. When a joint venture is formed a new Danish company will be formed to hold title to the Property, which will be owned by Storgold and NunaMinerals A/S as to their respective interests. Contributions will be made based on each company's interest.

If subsequent to joining the joint venture the Company elects not to contribute its proportionate share of costs, the Company's interest is subject to dilution. If the Company's interest dilutes to less than 10%, its interest will automatically convert to a 1% NSR.

**Exploration expenditures payable**

As at October 31, 2010, NunaMinerals A/S had incurred additional expenditures of \$6,065 (October 31, 2009 - \$1,057,204), recorded as exploration expenditures payable.

**6. LOANS PAYABLE**

During the year ended October 31, 2010, the Company entered into loan agreements for proceeds of \$500,000 of which \$100,000 was owed to a company owned by an officer of the Company. The loans bear interest at 15% per annum and were repayable at the earliest of (i) within five days following the Company's first day of trading on the TSX, (ii) July 31, 2010, or (iii) at the election of the lender in the event of default. The Company also issued 100,000 special warrants to the lenders (of which 20,000 special warrants were issued to a company owned by an officer of the Company) as a financing fee valued at \$40,000, which were converted to common shares of the Company upon the closing of the IPO. On commencement of the Company trading on the TSX the Company repaid the loans and interest totaling \$527,329.

In addition, the Company entered into a loan agreement for a \$250,000 non-interest bearing loan due the earlier of (i) 30 days of receipt or (ii) the first day of trading on the TSX. The loan was repaid in full during the year.

**REVOLUTION RESOURCES CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Capital Stock		Contributed Surplus
	Number of Shares	Amount	
Authorized:			
Unlimited common shares without par value			
Issued and outstanding:			
Private placements	7,850,000	\$ 1,285,000	\$ -
Private placements	5,870,000	1,467,500	-
For mineral property interests	<u>6,650,000</u>	<u>1,662,500</u>	<u>-</u>
As at October 31, 2009	20,370,000	4,415,000	-
Private placement	1,012,500	405,000	-
Initial public offering	18,000,000	9,000,000	-
Finders' and corporate finance fees	120,000	(675,000)	-
Brokers warrants	-	(294,620)	294,620
Other share issuance costs	-	(230,509)	-
Conversion of special warrants	100,000	40,000	-
Stock-based compensation	<u>-</u>	<u>-</u>	<u>1,221,909</u>
As at October 31, 2010	<u>39,602,500</u>	<u>\$ 12,659,871</u>	<u>\$ 1,516,529</u>

Included in capital stock are 3,855,000 common shares subject to an escrow agreement that may not be transferred, assigned or otherwise dealt with without consent of the regulatory authorities.

**Private placements**

During the year ended October 31, 2010, the Company issued 1,012,500 shares at \$0.40 per share for proceeds of \$405,000.

During the period ended October 31, 2009, the Company:

- a) Issued 7,850,000 shares having a fair value of \$1,285,000, for which the Company received cash proceeds of \$7,850 during the period ended October 31, 2009 and \$35,000 during the period ended October 31, 2010 and, recorded stock based compensation of \$1,242,150. The shares were issued to directors, officers and founders of the Company. The Company placed 7,550,000 of these shares in escrow on completion of the IPO to be released as to 25% on listing and 25% every six months thereafter.
- b) Issued 5,870,000 shares at \$0.25 per share for proceeds of \$1,467,500. The Company placed 160,000 of these shares, issued to officers and founders of the Company, in escrow on completion of the IPO to be released as to 25% on listing and 25% every six months thereafter.

**REVOLUTION RESOURCES CORP.**  
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**7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Initial public offering**

The Company issued for its IPO 18,000,000 shares at \$0.50 per share for gross proceeds of \$9,000,000. The Company paid \$630,000 and issued 100,000 common shares valued at \$50,000 as finders' fees and paid \$45,000 and issued 20,000 common shares valued at \$10,000 as a corporate finance fee. The Company also paid \$230,509 as other share issuance costs, of which, \$42,250 was deferred as at October 31, 2009. The brokers were also given 1,260,000 brokers' warrants. Each warrant is exercisable at \$0.50 for one share for a period of two years. The warrants were valued at \$294,620 using the Black-Scholes option pricing model with a weighted average expected volatility of 100%, risk free interest rate of 1.97%, expected life of one and one-half year and dividend yield of 0%.

**Special warrants**

During fiscal, 2010, the Company issued 100,000 special warrants which were converted to common shares of the Company upon the closing of the IPO (Note 6).

**Stock option plan**

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

**Stock options and warrants**

Stock option and warrant transactions are summarized as follows:

	Warrants		Stock options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, July 14, 2009 and October 31, 2009	-	\$ -	-	\$ -
Granted	1,260,000	0.50	3,950,000	0.50
Cancelled	-	-	(175,000)	\$ 0.50
Outstanding, October 31, 2010	1,260,000	\$ 0.50	3,775,000	\$ 0.50
Number currently exercisable	1,260,000	\$ 0.50	3,737,500	\$ 0.50

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**7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock options and warrants (cont'd...)**

The following incentive stock options and warrants were outstanding at October 31, 2010:

Number	Exercise price	Expiry date
<b>Stock options</b>		
75,000	\$ 0.50	May 19, 2012
3,700,000	0.50	April 27, 2015
<b>Brokers Warrants</b>		
1,260,000	\$ 0.50	April 27, 2012

**Stock-based compensation**

During the year ended October 31, 2010, the Company granted 3,950,000 (October 31, 2009 - Nil) options with a weighted-average fair value of \$0.31 per option (October 31, 2009 - \$Nil) to directors, officers and consultants. Total stock-based compensation recognized in the statement of operations during the year ended October 31, 2010 was \$1,221,909 (October 31, 2009 - \$Nil) for incentive options granted and vested. This amount was also recorded as contributed surplus on the balance sheet.

The following weighted average assumptions were used for the valuation of stock options:

	October 31, 2010	October 31, 2009
Risk-free interest rate	2.48%	-
Expected life of options	3 years	-
Annualized volatility	100%	-
Dividend rate	0.00%	-

**8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions for the year ended October 31, 2010 include the Company:

- a) Incurring mineral property expenditures of \$137,533 through accounts payable and exploration expenditures payable.
- b) Granting 1,260,000 brokers' warrants valued at \$294,260 as finders' fees in relation to the IPO.
- c) Issuing 120,000 common shares at a value of \$60,000 as finders' and corporate finance fees in relation to the IPO.

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**8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS** (cont'd...)

Significant non-cash transactions for the period from incorporation on July 14, 2009 to October 31, 2009 include the Company:

- a) Incurring mineral property expenditures of \$1,057,204 through exploration expenditures payable (Note 3).
- b) Issuing of 6,650,000 common shares at a value of \$1,662,500 pursuant to the acquisition of Storgold (Note 3).
- c) Incurring deferred finance costs of \$12,250 through accounts payable and accrued liabilities.
- d) Issuing common shares for subscriptions receivable of \$35,000.

**9. INCOME TAXES**

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

	October 31, 2010	Period From Incorporation on July 14, 2009 to October 31, 2009
Loss before income taxes	\$ (2,577,706)	\$ (1,283,669)
Expected income recovery	\$ (741,100)	\$ (386,600)
Expenses not deductible for income tax purposes	351,300	373,700
Other items	(55,300)	-
Unrecognized benefit of non-capital losses	<u>445,100</u>	<u>12,900</u>
Income tax recovery	\$ -	\$ -

Amount of future tax assets are as follows:

	October 31, 2010	October 31, 2009
Future income tax assets:		
Non-capital loss carry forwards	\$ 397,000	\$ 10,375
Other items	193,200	-
Valuation allowance	<u>(590,200)</u>	<u>(10,375)</u>
Net future income tax assets	\$ -	\$ -



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**9. INCOME TAXES** (cont'd...)

The Company has approximately \$1,600,000 in non-capital losses, which may be carried forward and applied against taxable income in future years. These losses, if not utilized, expire through 2030.

The benefits of these losses have not been recorded in these financial statements and have been offset by a valuation allowance.

**10. RELATED PARTY TRANSACTIONS**

During the year ended October 31, 2010, the Company:

- a) Paid or accrued management fees of \$97,500 (2009 - \$Nil) to an officer of the Company
- b) Paid or accrued geological consulting fees of \$32,500 (2009 - \$Nil) to an officer of the Company.
- c) Paid or accrued professional fees of \$50,000 (2009 - \$Nil) to officers of the Company.
- d) Paid or accrued directors fees of \$80,000 (2009 - \$Nil) to directors of the Company.
- e) Paid or accrued promotional fees of \$58,600 (2009 - \$Nil) to a Company controlled by a director of the Company.

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

Included in accounts payable is \$44,058 (2009 - \$Nil) due to directors of the Company.

The Company operates from the premises of a public company with common directors. The public company provides geological consulting and office and administrative services to the Company and various other public companies. Included in accounts payable and accrued liabilities is \$59,611 (2009 - \$Nil) due to the public company. During the year the Company paid or accrued \$92,382 (2009 - \$Nil) for geological consulting, and \$26,986 (2009 - \$Nil) for office and administrative expenditures.

**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Financial Instruments**

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables, accounts payable and accrued liabilities and explorations expenditures payable approximated their fair value because of the short-term nature of these instruments. Loans receivable are long-term and are recorded at amortized cost.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd..>)**

**Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2010, the Company had a cash balance of \$4,384,055 to settle current liabilities of \$307,779.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy will be to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at October 31, 2010, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk

The majority of the Company's business is conducted in Greenland in Canadian dollars and the Danish Kroner and in the USA in the US dollar. As such, the Company is exposed to a foreign currency risk in fluctuations among the Canadian dollar, the Danish kroner and the US Dollar. Fluctuations in the exchange rate among the Canadian dollar, the Danish kroner and the US dollar may have a material adverse effect on the Company's business and financial condition. Fluctuations do not have a significant impact on operating results.

c) Price risk

The mining industry is heavily dependent upon the market price of the metals or minerals being mined. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that the Company's properties can be mined at a profit. Factors beyond control of the Company may affect the marketability of any minerals discovered. The price of gold has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the Company's control.

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**12. CAPITAL MANAGEMENT**

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests. Capital is comprised of the Company's shareholders' equity which is \$10,315,025 as at October 31, 2010. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

**13. SEGMENTED INFORMATION**

The Company's one reportable operating segment is the acquisition, exploration and development of mineral property concessions. Geographic information is as follows:

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	October 31, 2010	October 31, 2009
Capital assets:		
Canada	\$ 6,324	\$ -
USA	192,114	-
Greenland	<u>5,659,375</u>	<u>3,316,469</u>
	<u>\$ 5,857,813</u>	<u>\$ 3,316,469</u>

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**14. SUBSEQUENT EVENTS**

Subsequent to October 31, 2010 the Company:

1. Entered into further option and purchase agreements in the Champion Hills area with terms consistent with Note 5 of the financial statements.
2. Issued 188,000 shares for proceeds of \$94,000 pursuant to the exercise of options and broker warrants.
3. Issued 200,000 bonus shares valued at \$132,000 to a service provider of the Company.
4. Announced it intends to issue 15,000,000 common shares at \$0.60 per common share for gross proceeds of up to \$9,000,000 in a brokered private placement. The Company intends to pay Haywood Securities Inc. ("Haywood") a cash fee equal to 6 per cent of the gross proceeds from the offering. As additional compensation, Haywood will be issued agent's warrants entitling Haywood to purchase that number of common shares of the company equal to 6 per cent of the number of common shares sold under the offering at 80 cents per share exercisable for a period of 12 months from the closing date of the offering