

**NULEGACY GOLD CORPORATION**

Consolidated Financial Statements  
(Unaudited)

Six Months Ended September 30, 2010

# NULEGACY GOLD CORPORATION

Consolidated Balance Sheets as at

(Stated in Canadian Dollars)

|   | September 30,<br>2010<br>(Unaudited) | March 31,<br>2010<br>(Audited) |
|---|--------------------------------------|--------------------------------|
| <b>ASSETS</b>                               |                                      |                                |
| <b>Current assets</b>                       |                                      |                                |
| Cash and cash equivalents                   | \$ 1,411,911                         | \$ 1,291,960                   |
| Accounts receivable                         | -                                    | 7,969                          |
| Prepays and deposits                        | 20,555                               | -                              |
|   | 1,432,466                            | 1,299,929                      |
| <b>Mineral property costs (note 4)</b>      | 519,687                              | 249,589                        |
| <b>Other assets (note 5)</b>                | 20,000                               | 40,000                         |
|   | \$ 1,972,153                         | \$ 1,589,518                   |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                                      |                                |
| <b>Current liabilities</b>                  |                                      |                                |
| Accounts payable and accrued liabilities    | \$ 182,432                           | \$ 130,060                     |
| Due to related parties                      | -                                    | 7,325                          |
|   | 182,432                              | 137,385                        |
| <b>Shareholders' equity</b>                 |                                      |                                |
| Share capital (note 6)                      | 2,064,876                            | 1,760,626                      |
| Special warrants subscriptions              | 331,000                              | -                              |
| Deficit                                     | (606,155)                            | (308,493)                      |
|   | 1,789,721                            | 1,452,133                      |
|   | \$ 1,972,153                         | \$ 1,589,518                   |

Nature and continuance of operations (note 1)

Subsequent events (note 9)

**Approved by the Board of Directors:**

*"Albert J. Matter"*

Director

*"Roger C. Steininger"*

Director

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

# NULEGACY GOLD CORPORATION

## Consolidated Statements of Operations and Comprehensive Loss

Unaudited

|   | Three months<br>ended<br>September 30,<br>2010 | Three months<br>ended<br>September 30,<br>2009 | Six months<br>ended<br>September 30,<br>2010 | Period from<br>incorporation<br>on May 15 to<br>September 30,<br>2009 |
|---|--|--|--|---|
| <b>Expenses</b>   |  |  |  |   |
| Automobile  | \$ -   | \$ 3,432                                       | \$ -   | 3,432   |
| Bank charges  | 500  | 82   | 581  | 134   |
| Consulting  | 74,636   | 66,015   | 105,386                                      | 66,015  |
| Dues and subscriptions                                      | 526  | 467  | 633  | 467   |
| Insurance   | 2,228  | -  | 2,228  | -   |
| Interest  | 80   | 16   | 82   | 16  |
| Office  | 3,622  | 8,169  | 10,079                                       | 8,169   |
| Printing and reproduction                                   | 2,196  | 237  | 3,419  | 237   |
| Professional fees   | 85,937   | 3,265  | 118,861                                      | 3,265   |
| Property evaluation   | 30,730   | -  | 30,730                                       | -   |
| Travel and accommodation                                    | 13,521   | 5,505  | 19,370                                       | 5,505   |
| <b>Loss before other item</b>                               | 213,976  | 87,188   | 291,369                                      | 87,240  |
| Other items:  |  |  |  |   |
| Foreign exchange (gain) loss                                | 15,052   | -  | (4,780)                                      | -   |
| Interest income   | (34)   | -  | (34)   | -   |
| Write-off of receivable                                     | 11,107   | -  | 11,107                                       | -   |
| <b>Loss and comprehensive loss for the period</b>           | \$ (240,101)                                   | \$ (87,188)                                    | \$ (297,662)                                 | (87,240)  |
| <b>Basic and diluted loss per common share</b>              | \$ (0.01)                                      | \$ (0.01)                                      | \$ (0.01)                                    | (0.01)  |
| <b>Weighted average number of common shares outstanding</b> | 28,522,392                                     | 11,781,630                                     | 29,640,247                                   | 7,854,420   |

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

**NULEGACY GOLD CORPORATION**

## Consolidated Statement of Shareholders' Equity

Unaudited

|   | Number of<br>Shares | Common<br>Shares<br>\$ | Special<br>Warrants<br>\$ | Deficit<br>\$ | Shareholders'<br>Equity<br>\$ |
|---|---------------------|------------------------|---------------------------|---------------|-------------------------------|
| Private placements at \$0.01 per share  | 5,250,000           | 52,500                 | -                         | -             | 52,500                        |
| Private placements at \$0.05 per share  | 13,450,000          | 672,500                | -                         | -             | 672,500                       |
| Private placements at \$0.10 per share  | 1                   | -                      | -                         | -             | -                             |
| Private placements at \$0.125 per share | 8,285,000           | 1,035,626              | -                         | -             | 1,035,626                     |
| Net loss for the period                 | -                   | -                      | -                         | (288,493)     | (288,493)                     |
| Excess paid for repurchase of shares    |                     |                        |                           | (20,000)      | (20,000)                      |
| <b>Balance – March 31, 2010</b>         | 26,985,001          | 1,760,626              | -                         | (308,493)     | 1,452,133                     |
| Mineral properties at \$0.125 per share | 50,000              | 6,250                  | -                         | -             | 6,250                         |
| Private placements at \$0.20 per share  | 1,520,000           | 304,000                | -                         | -             | 304,000                       |
| Special warrants subscriptions          | -                   | -                      | 331,000                   | -             | 331,000                       |
| Share issue costs                       | -                   | (6,000)                | -                         | -             | (6,000)                       |
| Loss for the period                     | -                   | -                      | -                         | (297,662)     | (297,662)                     |
| <b>Balance – September 30, 2010</b>     | 28,555,001          | 2,064,876              | 331,000                   | (606,155)     | 1,789,721                     |

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

# NULEGACY GOLD CORPORATION

## Consolidated Statements of Cash Flows

Unaudited

|   | Three months<br>ended<br>September 30,<br>2010 | Three months<br>ended<br>September 30,<br>2009 | Six months<br>ended<br>September 30<br>2010 | Period from<br>incorporation<br>on May 15 to<br>September 30,<br>2009 |
|---|--|--|---|---|
| <b>Operating activities</b>                     |  |  |   |   |
| Net loss for the period                         | \$ (240,101)                                   | \$ (87,188)                                    | \$ (297,662)                                | \$ (87,240)   |
| Items not involving cash:                       |  |  |   |   |
| Write-off of receivable                         | 11,107   | -  | 11,107                                      | -   |
|   | (228,994)                                      | (87,188)                                       | (286,555)                                   | (87,240)  |
| Changes in non-cash working capital items:      |  |  |   |   |
| Amounts receivable                              | -  | (1,935)  | (3,138)                                     | (1,935)   |
| Due to related parties                          | -  | -  | (7,325)                                     | -   |
| Prepays and deposits                            | (11,139)                                       | -  | (11,139)                                    | -   |
| Accounts payable and accrued liabilities        | 55,927   | (2,089)  | (44,612)                                    | 2,411   |
| <b>Cash used in operating activities</b>        | <b>(184,206)</b>                               | <b>(91,212)</b>                                | <b>(352,769)</b>                            | <b>(86,764)</b>   |
| <b>Investing activities</b>                     |  |  |   |   |
| Mineral property exploration costs              | (79,919)                                       | -  | (156,280)                                   | -   |
| <b>Cash used in investing activities</b>        | <b>(79,919)</b>                                | <b>-</b>                                       | <b>(156,280)</b>                            | <b>-</b>  |
| <b>Financing activities</b>                     |  |  |   |   |
| Share subscriptions received                    | -  | 25,000   | -   | 25,000  |
| Issuance of share capital, net of costs         | 20,000   | 130,500  | 298,000                                     | 543,000   |
| Special warrant subscriptions received          | 331,000  | -  | 331,000                                     | -   |
| <b>Cash used in financing activities</b>        | <b>351,000</b>                                 | <b>155,500</b>                                 | <b>629,000</b>                              | <b>568,000</b>  |
| Increase in cash and equivalents                | 86,875   | 64,288   | 119,951                                     | 481,236   |
| Cash and cash equivalents, beginning of period  | 1,325,036                                      | 416,948  | 1,291,960                                   | -   |
| <b>Cash and cash equivalents, end of period</b> | <b>1,411,911</b>                               | <b>481,236</b>                                 | <b>1,411,911</b>                            | <b>481,236</b>  |

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

# **NULEGACY GOLD CORPORATION**

Notes to the Consolidated Financial Statements (Unaudited)

Six Months Ended September 30, 2010

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

NuLegacy Gold Corporation (the "Company") is incorporated under the laws of the province of British Columbia, and its principal business activity is the acquisition and exploration of mineral properties. Its principal mineral property interests are located in Nevada, USA.

These interim period consolidated financial statements have been prepared using Canadian generally accepted accounting principles assuming a going concern. The Company has incurred losses since inception and its ability to continue as a going concern depends upon its capacity to develop profitable operations and to continue to raise adequate financing. These consolidated financial statements do not reflect adjustments, which could be material, to the carrying values of assets and liabilities which may be required should the Company be unable to continue as a going concern.

## **2. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION**

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, NuLegacy Gold N.V., which is incorporated in Nevada, USA.

All material intercompany balances and transactions have been eliminated.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The unaudited consolidated interim financial statements of NuLegacy Gold Corp. and its wholly owned subsidiary have been prepared in accordance with generally accepted accounting principles in Canada, which were the same accounting policies and methods of computation as the audited consolidated financial statements as at March 31, 2010, with the exception of the changes discussed herein.

The disclosure which follows is incremental to the disclosure included in the annual consolidated financial statements. These interim financial statements to September 30, 2010 should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended March 31, 2010.

### **(a) 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 January 1, 2011. The Company has commenced training of staff and has identified the key differences in the convergence process.

# NULEGACY GOLD CORPORATION

Notes to the Consolidated Financial Statements (Unaudited)

Six Months Ended September 30, 2010

## 4. MINERAL PROPERTIES

|  | Balance at<br>March 31,<br>2010 | Additions<br>during the<br>period | Balance at<br>Sept 30,<br>2010 |
|--|---------------------------------|-----------------------------------|--------------------------------|
| <b>Red Hill Properties</b>             |                                 |                                   |                                |
| Miranda Property                       |                                 |                                   |                                |
| Acquisition costs                      | \$ -                            | \$ -                              | \$ 21,604                      |
| Assay                                  | 1,727                           | 330                               | 2,057                          |
| Fuel                                   | -                               | 417                               | 417                            |
| Geological consulting                  | 48,202                          | 25,732                            | 73,934                         |
| Maps                                   | 1,965                           | -                                 | 1,965                          |
| Meals                                  | -                               | 185                               | 185                            |
| Office                                 | -                               | 170                               | 170                            |
| Other                                  | 93,114                          | 4,339                             | 97,453                         |
| Property maintenance                   | -                               | 45,258                            | 45,258                         |
| Supplies                               | -                               | 134                               | 134                            |
| Travel                                 | 11,222                          | 16,009                            | 27,231                         |
|  | 177,834                         | 92,574                            | 270,408                        |
| Barrick Property                       |                                 |                                   |                                |
| Geological consulting                  | -                               | 3,435                             | 3,435                          |
| Office                                 | -                               | 51                                | 51                             |
|  | -                               | 3,486                             | 3,486                          |
| Idaho Property                         |                                 |                                   |                                |
| Geological consulting                  | -                               | 226                               | 226                            |
| <b>Total Red Hill Properties</b>       | 177,834                         | 96,286                            | 274,120                        |
| <b>Wood Hills South Property</b>       |                                 |                                   |                                |
| Acquisition costs                      | \$ 21,088                       | \$ -                              | \$ 21,088                      |
| Assay                                  | -                               | 45,161                            | 45,161                         |
| Fuel                                   | -                               | 894                               | 894                            |
| Geological consulting                  | 20,036                          | 25,293                            | 45,329                         |
| Maps                                   | 98                              | -                                 | 98                             |
| Meals                                  | -                               | 654                               | 654                            |
| Office                                 | -                               | 197                               | 197                            |
| Other                                  | 11,255                          | 5,955                             | 17,210                         |
| Property maintenance                   | 134                             | 77,005                            | 77,139                         |
| Supplies                               | -                               | 118                               | 118                            |
| Travel                                 | 1,012                           | 4,442                             | 5,454                          |
| <b>Total Wood Hills South Property</b> | 53,623                          | 159,719                           | 213,342                        |
| <b>Half Ounce Property</b>             |                                 |                                   |                                |
| Acquisition costs                      | \$ -                            | \$ 6,250                          | \$ 6,250                       |
| Other                                  | 18,132                          | -                                 | 18,132                         |
| Property maintenance                   | -                               | 7,843                             | 7,843                          |
| <b>Total Half Ounce Property</b>       | 18,132                          | 14,093                            | 32,225                         |
| <b>Total Mineral Properties</b>        | \$ 249,589                      | \$ 270,098                        | \$ 519,687                     |

# NULEGACY GOLD CORPORATION

Notes to the Consolidated Financial Statements (Unaudited)

Six Months Ended September 30, 2010

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## 4. MINERAL PROPERTIES *(continued)*

### Red Hill Properties

#### Eureka County, Nevada

##### *Miranda Property*

The Company has an exploration and joint venture agreement with Miranda Gold Corp. (“Miranda”) to earn a 60% interest in this project by reimbursing Miranda for its 2009 – 2010 claim maintenance fees for the property in the amount of US\$11,000 cash (paid), issuing 200,000 common shares (issued), incurring a total of US\$200,000 in exploration expenditures before June 30, 2010 as a binding commitment (completed), incurring an additional US\$300,000 in exploration expenditures before December 31, 2010, of which US\$150,000 is a binding commitment, and incurring an additional US\$3,500,000 as follows:

| Expenditure Deadline | Expenditure Commitment (US\$) | Total Cumulative Expenditures (US\$) |
|----------------------|-------------------------------|--------------------------------------|
| September 30, 2011   | 500,000                       | 1,000,000                            |
| September 30, 2012   | 750,000                       | 1,750,000                            |
| September 30, 2013   | 1,000,000                     | 2,750,000                            |
| September 30, 2014   | 1,250,000                     | 4,000,000                            |

The Company can elect to acquire a further 10% interest by preparing and bearing the costs of a feasibility study to be completed within 4 years, and incurring an additional US\$1,000,000 on exploration each year. If the feasibility study is not completed, the Company must incur exploration expenditures of US\$1,000,000 per year for 10 years from the date of the election in order to acquire the additional 10%. Thereafter, if either of the joint venture parties’ interest falls below 10%, that party’s interest reverts to a 0.5% NSR royalty.

##### *Barrick Property*

On September 16, 2010, the Company entered into an exploration agreement with a joint venture election and option to purchase from Barrick Gold Exploration Inc. (“Barrick”) a 70% undivided interest in 818 unpatented mining claims in the Barrick Property located adjacent to the Miranda Property in Eureka County, Nevada, U.S.A. In order to exercise the option, the Company must incur a minimum of US\$5,000,000 in exploration or development expenditures on the Barrick Property (inclusive of maintenance fees) as follows:

| Expenditure Deadline | Expenditure Commitment (US\$) | Total Cumulative Expenditures (US\$) |
|----------------------|-------------------------------|--------------------------------------|
| December 31, 2011    | 375,000                       | 375,000 (firm)                       |
| December 31, 2012    | 875,000                       | 1,250,000 (firm)                     |
| December 31, 2013    | 1,125,000                     | 2,375,000                            |
| December 31, 2014    | 1,125,000                     | 3,500,000                            |
| December 31, 2015    | 1,500,000                     | 5,000,000                            |

If the Company completes the required US\$5,000,000 in expenditures and earns a 70% undivided interest in the property, Barrick will have a one-time option, exercisable within 90 days, to back into a 70% interest in the property. To complete the back in, Barrick must expend US\$15,000,000 over 5 years on the exploration and development of the property at a rate of at least US\$1,500,000 per year. If completed, the Company’s remaining 30% interest in the property will be carried by Barrick until the commencement of commercial production on the property.



## **NULEGACY GOLD CORPORATION**

Notes to the Consolidated Financial Statements (Unaudited)

Six Months Ended September 30, 2010

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### **4. MINERAL PROPERTIES** *(continued)*

Upon completion of the Company's exploration expenditures of US\$5,000,000, the Company and Barrick shall form a joint venture for further exploration of the property. If Barrick does not elect to exercise the back in right or fails to complete the requirements, the Company will hold a 70% interest and Barrick will hold a 30% interest in the joint venture. If Barrick exercises the back in right and completes the requirements, the Company will hold a 30% interest and Barrick will hold a 70% interest in the joint venture.

#### *Idaho Property*

On October 18, 2010, subsequent to period end, the Company entered into a mining lease, effective September 1, 2010 with Idaho Resources Corp. ("Idaho") for an initial 10 years, in which Idaho granted to the Company exclusive possession and control to explore, develop, mine and operate on the Idaho Property, which consists of 482 unpatented mining claims.

In order to maintain the Lease, the Company must make annual advance royalty payments of US\$25,000 and issue 100,000 common shares to Idaho in each of the first five years of the Lease. Annual cash payments will then increase to US\$50,000 for year six and every year thereafter. In addition, the Company must incur a total of US\$4,000,000 in exploration on the property during the first five years of the Lease as follows:

| <b>Lease Year</b> | <b>Expenditure<br/>Commitment (US\$)</b> | <b>Aggregate<br/>Amount (US\$)</b> |
|-------------------|--|------------------------------------|
| 1                 | 250,000                                  | 250,000 (firm)                     |
| 2                 | 750,000                                  | 1,000,000 (firm)                   |
| 3                 | 1,000,000                                | 2,000,000                          |
| 4                 | 1,000,000                                | 3,000,000                          |
| 5                 | 1,000,000                                | 4,000,000                          |

After the initial term of 10 years, the Lease will continue in full force and effect provided that the Company continues to maintain the property in good standing and make the requisite annual cash payments to Idaho. Upon commencement of commercial production, the annual cash payments will convert to an overriding royalty of 3% of the applicable royalty base on all gold, silver and other ores/metals from the property. Refer to Note 9(c).

#### **Wood Hills South Prospects** **Eureka County, Nevada**

The Company entered into an option agreement with Au-Ex, Inc. to earn a 70% interest in this prospect by paying US\$20,000 cash (paid), incurring a minimum US\$5,000,000 in exploration expenditures over seven years, and completing a feasibility study.

#### **Half Ounce Property** **Eureka County, Nevada**

The Company entered into an agreement to earn a 70% interest in this property by issuing 50,000 common shares (issued) and incurring US\$1,500,000 in exploration expenses within five years.

# **NULEGACY GOLD CORPORATION**

Notes to the Consolidated Financial Statements (Unaudited)

Six Months Ended September 30, 2010

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## **5. OTHER ASSETS**

This amount consists of a retainer and work fee totaling \$20,000 paid to the Company's agent in regards to the Company's IPO. This amount is to be deducted against share capital when incurred.

## **6. SHARE CAPITAL**

### *(a) Authorized share capital*

The Company's authorized share capital consists of an unlimited number of common shares without par value.

### *(b) Issued and outstanding common shares*

At September 30, 2010, the Company had 28,555,001 common shares issued and outstanding.

### *(c) Share purchase option compensation plan*

The Company amended its "fixed" share purchase option compensation plan to increase the total number of shares issuable to its directors, employees, officers, and consultants thereunder to 7,400,000 shares of the Company, subject to regulatory terms and approval.

The exercise price of each option may be set equal to or greater than the closing market price of the common shares on the TSX Venture Exchange on the day prior to the date of the grant of the option, less any allowable discount from market. Options have a maximum term of ten years and must terminate within a reasonable period of time as fixed by the directors (not to exceed one year) following the termination of the optionee's employment.

The Company granted stock options to its directors, executives, and consultants to purchase up to a total of 3,950,000 common shares at a price of CDN\$0.25 per share exercisable for a period of five years from the listing date of the Company.

### *(d) Warrants*

Share purchase warrants to purchase up to 1,520,000 common shares at a price of CDN\$0.30 per share until the earlier of (i) December 31, 2012 and (ii) 12 months from the date of listing of the Company's shares on the TSX Venture Exchange were issued during the period ended September 30, 2010.

### *(e) Special Warrants*

The Company has sold, by way of private placement, a total of 1,655,000 special warrants at CDN\$0.20 per special warrant for gross proceeds of \$331,000. Each special warrant entitles the holder to receive, without payment of any additional consideration, one common share of the Company and one share purchase warrant to acquire an additional common share at a price of CDN\$0.30 until the earlier of (i) December 31, 2012 and (ii) 12 months from the date of the listing of the Company's shares on the Exchange. The common shares and share purchase warrants issuable upon deemed exercise of the special warrants will be qualified for distribution under the Company's prospectus noted in Note 9(d) below.

# NULEGACY GOLD CORPORATION

Notes to the Consolidated Financial Statements (Unaudited)

Six Months Ended September 30, 2010

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## 6. SHARE CAPITAL *(continued)*

### *(f) Escrow shares*

The Company has escrowed 6,990,001 of the issued shares of which 10% are releasable for trade; upon listing of the Company's shares and the balance over 3 years at 15% of the escrowed shares each six months.

## 7. RELATED PARTY TRANSACTIONS

During the six months ended September 30, 2010:

- a) \$62,250 was charged for consulting fees by an officer and director of the Company.
- b) \$3,000 was charged for consulting fees and \$2,250 was charged for accounting services performed by an officer and director of the Company.
- b) \$63,354 was charged for geological consulting fees by a director of the Company.

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

## 8. FINANCIAL INSTRUMENTS

### *a) Fair Value of Financial Instruments*

The carrying amounts of cash and cash equivalents, amounts receivable, amounts due to/from the related parties and accounts payable and accrued liabilities approximate their fair values due to the short term to maturity of such instruments.

During 2009, CICA handbook section 3862 "Financial Instruments – Disclosures" was amended to require enhanced disclosure of financial instrument fair value measurements and liquidity risks. Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- 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.

The carrying values, fair market values, and fair value hierarchal classification of the Company's financial instruments as at September 30, 2010 are as follows:

|                           | Level 1          | Level 2  | Level 3  |
|---------------------------|------------------|----------|----------|
| Cash and cash equivalents | 1,411,911        | -        | -        |
|                           | <b>1,411,911</b> | <b>-</b> | <b>-</b> |

During the period, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

# NULEGACY GOLD CORPORATION

Notes to the Consolidated Financial Statements (Unaudited)

Six Months Ended September 30, 2010

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## 8. FINANCIAL INSTRUMENTS *(continued)*

### *b) Financial Instrument Risk Exposure and Risk Management*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented treasury policies, counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### (i) Credit Risk

The Company's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents in high quality investments with major financial institutions and in federal government-backed treasury bills. The Company does not have any financial assets that are invested in asset backed commercial paper.

#### (ii) Liquidity Risk

The Company ensures that there is sufficient cash in order to meet its short term business requirements, after taking into account the Company's holdings of cash and cash equivalents. The Company's cash and equivalents are invested in business accounts, commercial paper and treasury bills, which are immediately available on demand for the Company's use.

The Company has sufficient cash and cash equivalents to meet commitments associated with its financial liabilities.

#### (iii) Price Risks

The significant price risk exposures to which the Company is exposed are foreign exchange risk, interest rate risk and commodity price risk.

#### (iv) Foreign Exchange Risk

The Company incurs substantially all of its expenditures in the United States and a significant portion of its cash and cash equivalents are denominated in Canadian dollars ("CAD"). The Company is exposed to foreign exchange risk to the extent of exchange rate fluctuation and a resultant change in the value of its cash and cash equivalents held in US dollars ("USD"). The exposure of the Company's financial assets to foreign exchange risk is as follows:

|                              | September 30,<br>2010 |
|------------------------------|-----------------------|
| Expressed in CAD equivalents |                       |
| Financial assets             |                       |
| United States dollars        | \$1,105,249           |

Substantially all of the Company's liabilities are denominated in Canadian dollars. The Company currently does not engage in foreign currency hedging. The following significant exchange rates applied during the year:

# **NULEGACY GOLD CORPORATION**

Notes to the Consolidated Financial Statements (Unaudited)

Six Months Ended September 30, 2010

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## **8. FINANCIAL INSTRUMENTS** *(continued)*

| USD to CAD                           | September 30,<br>2010 |
|--------------------------------------|-----------------------|
| United States dollars – closing rate | 1.0298                |
| United States dollars – average rate | 1.0331                |

### **(v) Interest rate risk**

The Company is subject to interest rate price risk with respect to its investments in cash equivalents. The Company's policy is to invest cash in fixed rate financial instruments having maturity dates of three months or less from the date of acquisition and cash reserves are to be maintained in cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Changes in market interest rates have a direct effect on the fair value of cash equivalents.

## **9. SUBSEQUENT EVENTS**

### **(a) Stock Options**

Subsequent to September 30, 2010, the Company granted stock options to its directors, executives, and consultants to purchase up to an additional 1,200,000 common shares at a price of CDN\$0.25 per share exercisable for a period of five years from the listing date of the Company.

### **(b) Special Warrants**

Subsequent to September 30, 2010 the Company has sold, by way of private placement, a total of 3,918,750 special warrants at CDN\$0.20 per special warrant for gross proceeds of \$783,750. The common shares and share purchase warrants issuable upon deemed exercise of the special warrants will be qualified for distribution under the Company's prospectus noted in Note 9(d) below.

### **(c) Mining Lease with Idaho Resources Corporation**

An advance royalty payment of US\$25,000 and reimbursement of 2010-2011 BLM fees for the property totaling US\$67,480 was paid to Idaho by the Company upon execution of the Mining Lease on October 18, 2010. Refer to note 4.

### **(d) Initial Public Offering**

On November 12, 2010, the Company filed its final prospectus with the British Columbia, Alberta, Ontario Securities Commissions and the Yukon Government offering 4,000,000 units at a price of \$0.25 per unit as an initial public offering to raise gross proceeds \$1,000,000. Each unit consists of one share and one share purchase warrant, each warrant exercisable for a period of 12 months from listing of the Company's shares at a price of \$0.35. The prospectus also distributed 5,573,750 common shares and 5,573,750 warrants issued upon the deemed exercise of 5,573,750 previously issued special warrants.

The Company's agent will receive a commission of 8%, 200,000 shares as a corporate finance fee, a work fee of \$10,000 and agent's warrants to purchase common shares in an amount up to 10% of the number of units sold at a price of \$0.25 per share for a period of 18 months. The agent also has an Over-Allotment option to purchase up to 600,000 units (15% of the total offering of units) under the prospectus.