SOLID RESOURCES

Consolidated Financial Statements

For the Year Ended

December 31, 2010

K. R. MARGETSON LTD. *

Chartered Accountant

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AUDITOR REPORT

To the Shareholders of
Solid Resources Ltd.:

I have audited the accompanying balance sheet of Solid Resources Ltd., referred to as the "Company", as at December 31, 2010 and the related statements of operations and deficit and cash flows for the year then ended. 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 audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform the 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements of the Company for the year ended December 31, 2009 were audited by other auditors, whose report dated April 23, 2010, expressed an unqualified opinion on those statements.

K R Margetson Ltd.

Chartered Accountant

North Vancouver, Canada
May 2, 2011

SOLID RESOURCES LTD.

Consolidated Balance Sheet
As at December 31, 2010 and December 31, 2009

		December 31 2010		December 31 2009
Assets				
Current assets:				
Cash and cash equivalents	$	964,378	$	484,019
Sales and other taxes receivable		42,173		59,132
Prepaid expenses and deposits		7,000		5,364
		1,013,551		548,515
Investment in Silver Bear Mines Ltd. (note 5)		1,055,808		-
Capital Assets (note 4)		2,560		6,946
Mineral properties (note 5)		2,036,550		8,198,478
	$	4,108,469	$	8,753,939
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	68,433	$	541,675
Deposit on share purchase		-		50,000
Notes payable (note 6)		-		1,665,739
		68,433		2,257,414
Shareholders' Equity:				
Share capital (note 7)		22,017,434		19,883,175
Contributed surplus (note 8)		3,845,241		2,439,722
Deficit		(21,822,639)		(15,826,372)
		4,040,036		6,496,525
	$	4,108,469	$	8,753,939

Basis of presentation (note 1)
Subsequent event (note 17)

See accompanying notes to the consolidated financial statements.

Signed on behalf of the Board:

"Rick Gliege" Director

"Greg Pendura" Director

SOLID RESOURCES LTD.

Consolidated Statement of Operations and Deficit
Years ended December 31, 2010 and December 31, 2009

	2010	2009
Expenses:		
Administrative and general	$ 1,034,037	$ 432,600
Stock-based compensation (Note 6)	1,405,519	123,502
Amortization	5,631	5,686
Interest on note payable (Note 5)	39,404	169,838
Other interest and bank charges	3,195	108,692
	2,487,786	840,318
Loss before the following items	(2,487,786)	(840,318)
Other income (expenses):		
Loss on disposal of Bear property	(3,395,991)	-
Foreign exchange	(42,330)	(14,054)
Other	4,840	34,400
Impairment of Mineral properties	(75,000)	(757,587)
Net loss and comprehensive loss	(5,996,267)	(1,577,559)
Deficit, beginning of year	(15,826,372)	(14,248,813)
Deficit, end of year	$ (21,822,639)	$ (15,826,372)
Loss per share, basic and diluted (Note 8)	$ (0.10)	$ (0.06)
Weighted average number of shares outstanding	57,190,063	28,353,885

Basis of presentation (note 1)

See accompanying notes to the consolidated financial statements.

SOLID RESOURCES LTD.

Consolidated Statement of Cash Flows
Years ended December 31, 2010 and December 31, 2009

	2010	2009
Increase (decrease) in cash:		
Operations:		
Net loss	$ (5,996,267)	$ (1,577,559)
Add (deduct) items not affecting cash:		
Amortization of capital assets	5,631	5,686
Stock-based compensation	1,405,519	123,502
Impairment of mineral properties	75,000	757,587
Write down of Bear property	3,395,991	-
Finders' fee on Peru property	210,000	-
Changes in non-cash working capital		
Decrease in accounts receivable	16,959	9,030
Decrease in prepaid expenses and deposits	(1,636)	(3,029)
Increase in accounts payable and accrued liabilities	(168,810)	(15,713)
	(1,057,613)	(700,496)
Financing:		
Deposits received on future share issuance	-	50,000
Issue of share capital	2,314,000	1,235,500
Repayments on notes payable	(40,000)	(10,000)
Share issuance costs	(439,741)	(26,250)
	1,834,259	1,249,250
Investing:		
Capital assets	(1,245)	-
Mineral properties	(295,042)	(96,344)
	(296,287)	(96,344)
Net increase in cash	480,359	452,410
Cash, beginning of year	484,019	31,609
Cash, end of year	$ 964,378	$ 484,019

Supplemental cash flow information (note 12)

See accompanying notes to the consolidated financial statements.

1. Basis of presentation:

Solid Resources Ltd. (the Company) is incorporated under the laws of the Province of Alberta, Canada. Its shares are listed for trading on the TSX Venture Exchange and on the Frankfurt Stock Exchange. The Company is involved in the exploration and development of mineral resource properties and does not currently have a recurring revenue stream.

These consolidated financial statements have been prepared on a "going concern" basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company's ability to continue as a going concern is dependent on its ability to continue to raise financing and generate revenue in the future. Management believes the Company will attain these goals.

These consolidated financial statements do not give effect to any adjustments which might be necessary if the "going concern" basis were not appropriate.

2. Significant accounting policies:

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All inter-company transactions and accounts have been eliminated upon consolidation.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. Significant areas requiring the use of management estimates relate to the valuation of resource properties and assumptions used in determining the fair value of non-cash stock-based compensation. Actual results could differ from these estimates.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts, and highly liquid temporary money market instruments with original maturities of 3 months or less. At December 31, 2010 and December 31, 2009 the Company held only cash on hand and balances with banks.

2. Significant accounting policies (continued):

(d) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded at rates intended to amortize the cost of the assets over their estimated useful lives, on a straight-line basis, as follows:

Equipment	10% - 20%
Computers, furniture and leasehold improvements	10% - 20%

(e) Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property 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 mineral reserves, the ability of the Company to obtain the necessary financing and permitting to complete the development of the properties, and future profitable production from the disposition of the metals produced from the properties or by sale.

The Emerging Issues Committee ("EIC") issued EIC-174 which provides guidance to enterprises in the exploration, development and operation of mining properties related to the measurement of exploration costs and the conditions that an enterprise should consider when determining the need to perform an impairment review of such costs. The accounting guidance expressed in EIC-174 has been applied in the preparation of these financial statements.

(e) Asset retirement obligations:

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of the 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 of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. 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 in the carrying amount of the asset retirement obligation and the related long-lived asset. The Company does not have any significant asset retirement obligations as at December 31, 2010 and 2009.

(f) Impairment of Long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. An impairment loss is recognized equal to the excess of the carrying amount of a long-lived asset over its estimated fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its specific use, and eventual disposition.

(g) Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates expected to apply in the periods that the temporary differences are expected to be recovered or settled. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

(i) Flow-through shares

Income tax deductions related to exploration expenditures financed by proceeds of flow through share issues are renounced to the investor in accordance with Canadian income tax legislation. The Company records these share issues by crediting share capital for the full amount of the cash consideration received. The tax effects of the renounced deductions are recognized at the time of renunciation by an increase in future income tax liabilities and a reduction of shareholders’ equity.

(j) Foreign currency translation

The accounts of the Company's integrated foreign subsidiaries are translated into Canadian dollar using the temporal method. Under this method, monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities and revenues and expenses are translated at the rates prevailing on the respective transaction dates. Translation gains and losses are reflected in the determination of income for the period in which they arise.

(k) Stock-based compensation plan

The Company uses the fair value-based method for stock-based compensation and therefore all awards to employees and non-employees are recorded at fair value and expensed over the respective vesting period of the awards. The Company uses the Black-Scholes option-pricing model to estimate the fair value of each stock option. Any consideration paid by the option holders to purchase shares is credited to capital stock.

2. Significant accounting policies (continued):

(l) Earnings or loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants, and similar equity instruments. Under this method, the dilutive effect on earnings 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 ended December 31, 2010 and 2009, this calculation proved to be anti-dilutive.

Basic and diluted loss per common share is calculated using the weighted-average number of shares outstanding during the years ended December 31, 2010 and 2009.

(m) Share issue costs

Share issue costs are netted against share proceeds and included in share capital.

(n) Financial instruments

Financial assets and financial liabilities are measured at fair value on initial recognition and recorded on the balance sheet.

Measurement in subsequent period depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities:

- Financial assets and financial liabilities considered held-to-maturity, loans and receivables, and other financial liabilities subsequent to their initial recognition are stated at amortized cost using the effective interest method.
- Available-for-sale financial assets are subsequently measured at fair value, with unrealized gains and losses from changes in fair value recognized in other comprehensive income (loss). Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.
- Financial assets and liabilities held for trading are measured at fair value, with changes in fair value recognized in the statement of operations in the period in which they arise.

2. Significant accounting policies (continued):

The Company has classified its financial instruments as follows:

Cash and cash equivalents	Held-for-trading
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Notes payable	Other liabilities

The carrying amounts of cash and cash equivalents, amounts receivables, accounts payable and accrued liabilities and notes payable approximate their fair values or amortized cost due to the short-term nature and high liquidity of these instruments.

The company is not currently involved in hedging.

(o) Comprehensive income:

Comprehensive income is the change in equity during a period from transactions and other events arising from non-owner sources and includes items that are not included in net earnings, such as unrealized gains and losses on available-for-sale investments. The comprehensive income accounting recommendations require certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other comprehensive income until it is considered appropriate to recognize into net earnings.

The presentation of comprehensive income and its components in a separate financial statement that is displayed with the same prominence as the other financial statements. Accumulated other comprehensive income is presented as a new category in shareholders' equity. The presentation of accumulated other comprehensive loss in the shareholders' equity section of the balance sheet is not required because the closing balance is nil for the years ended December 31, 2010 and 2009.

3. Changes in accounting policies and new accounting pronouncements:

(a) Recent accounting pronouncements:

Business Combinations (Section 1582); *Consolidated Financial Statements* (Section 1601); *and Non-Controlling Interests* (Section 1602)

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*. These standards will be effective for fiscal years beginning after January 1, 2011 (the Company's 2012 fiscal year). Early adoption of these standards is permitted. The Company is in the process of evaluating the potential effects of the requirements of these new standards.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination and essentially provides the Canadian equivalent of International Financial Reporting Standards IFRS 3 – *Business Combinations*.

Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes the standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary within consolidated financial statements subsequent to a business combination and is substantially equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, *Consolidated and Separate Financial Statements*. The Company is in the process of evaluating the potential effects of the requirements of these new standards.

(b) International financial reporting standards ("IFRS"):

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 changeover date is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's adoption date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management intends to continue to review new standards, as well as the impact of the existing accounting standards, between now and the conversion date to ensure all relevant changes are addressed. The Company is in the process of evaluating the potential effects of the requirements of these new standards.

4. Capital assets:

December 31, 2010		Cost		Accumulated amortization		Net book value
Equipment	$	17,847	$	17,847	$	-
Computers, furniture and leasehold improvements		68,245		65,685	$	2,560
	$	86,092	$	83,532	$	2,560

December 31, 2009		Cost		Accumulated amortization		Net book value
Equipment	$	17,847	$	17,847	$	-
Computers, furniture and leasehold improvements		67,000		60,054	$	6,946
	$	84,847	$	77,901	$	6,946

5. Mineral properties:

		Bear Canada		Peru Gold and Copper		Doade- Presqueira Spain		Sunset West Canada		Total
Balance, December 31, 2009	$	6,381,971	$	-	$	1,741,507	$	75,000	$	8,198,478
Geological fees and expenses		-		54,995		229,096		-		284,091
Mining rights and taxes		-		4,000		6,952		-		10,952
Sale		(6,381,971)				-				(6,381,971)
Write-down or impairment		-		-				(75,000)		(75,000)
Total for the year		(6,381,971)		58,995		236,048		(75,000)		(6,161,928)
Balance, December 31, 2010	$	-	$	58,995	$	1,977,555	$	-	$	2,036,550

		Bear Canada		Doade- Presqueira Spain		Sunset West Canada		Varallo (Piemonte) Italy		Total
Balance, December 31, 2008	$	6,372,583	$	1,675,324	$	75,000	$	736,814	$	8,859,721
Geological fees and expenses		36		-		-		-		36
Mining rights and taxes		8,256		66,183		-		20,773		95,212
Drilling, sampling, assaying		1,096		-		-		-		1,096
Impairment		-				-		(757,587)		(757,587)
Total for the year		9,388		66,183		-		(736,814)		(661,243)
Balance, December 31, 2009	$	6,381,971	$	1,741,507	$	75,000	$	-	$	8,198,478

5. Mineral properties (continued):

Bear Property, Northwest Territories, Canada

During the year, the Company entered into a letter of intent (the "Letter of Intent") dated April 30, 2010 with Golden Lion Resources Inc. now known as Silver Bear Mines Inc. ("Silver Bear") with respect to the proposed transfer of all of the Company's 49% interest in the Bear mineral property located in the Northwest Territories (the "Bear Property") to Silver Bear. The purchase price for the 49% interest in the Bear Property is $3,000,000, and was payable: (i) by the assumption of debt (the "Assumed Debt") owing by the Company to certain lenders in the aggregate amount of $1,930,172; and (ii) by the issuance and delivery of common shares in the capital of Silver Bear ("Silver Bear Shares") having an aggregate value of $1,055,808, which Silver Bear Shares will be distributed to the shareholders of the Company in a tax effective manner. The actual number (not to exceed 2,000,000) and deemed price of the Silver Bear Shares shall be determined at or before the time of execution of the definitive agreement(s) for the proposed transaction.

Concurrently with the execution of the Letter of Intent, the Company entered into a debt assumption agreement, pursuant to which Silver Bear assumed the Assumed Debt effective as of April 30, 2010 and the lenders released the Company from any further obligations under the Assumed Debt.

The Board of Directors of the Company have unanimously approved the Letter of Intent and the proposed sale of the Company's 49% interest in the Bear Property. The completion of the proposed purchase transaction is subject to a number of conditions including, negotiation and execution of definitive agreements (which has been signed subsequent to the year-end) and receipt of all requisite regulatory approvals, including the TSX Venture Exchange.

As such, the Company recorded a sale or disposal of asset of $6,381,971 for a net book value of $nil for the year ended December 31, 2010.

Doade-Presqueira, Spain

The Company has 100% interest in this concession which is located in Northwestern Spain and is 4,902 hectares (12,108 acres) in size. This property is under exploration for Lithium, Tantalum, Tin, Rubidium, and Cesium. Two drilling programs consisting of a total of 17 holes drilled, sampled, and assayed have been completed to date. Property investigation costs are bonus fees paid to the geologist that initially identified the project. Such fees became payable once a certain stage of advancement had been reached.

Sunset West, Northwest Territories, Canada

On September 26, 2008, the Company advanced a loan in the principal sum of $75,000 to Bearing Gold Resources Corp. ("Bearing Gold"). In 2009, the Company forgave the loan in exchange for Bearing Gold's rights, title and interest in its Sunset West Property. Sunset West comprises an 850 hectare mineral claim located approximately 110 kilometers Northeast of Yellowknife, Northwest Territories, Canada and is prospective for Silver, Lead and Zinc.

During the year, the Company decided to release its interest in this property and recorded an impairment of $75,000, resulting in a net book value of $nil as at December 31, 2010.

Peru Gold & Copper Property

The Company entered into a binding option agreement with an arm's length third party (the "Optionor") pursuant to which it acquired the option to purchase a metallic mining license, covering an area of 1,000 hectares, located in Northwest Peru. Under the terms of the option agreement, The Company has the right to purchase the license, during the three year term, by paying the Optionor a total of US$500,000, to be paid in tranches over the course of the period ending on December 2012. The first cash payment of US$4,000 has already been paid to the Optionor. In connection with the option agreement, the Company issued pay 1,000,000 common shares of the Company to a third party finder.

6. Notes payable:

	December 31, 2010	December 31, 2009
Notes payable	$ -	$ 1,665,739
Interest expense included in the Statement of Operations	$ 39,404	$ 169,838
Accrued interest included in accounts payable and accrued liabilities	$ -	$ 365,028

As discussed in note 5, the Company signed a letter of intent as approved by the Board of Directors with Silver Bear to sell the Company's 49% interest in the Bear Property. Concurrently with the execution of the Letter of Intent, the Company entered into a debt assumption agreement, pursuant to which Silver Bear assumed the Assumed Debt effective as of April 30, 2010 and the lenders released the Company from any further obligations under the Assumed Debt.

Share capital:

(a) Authorized:

Unlimited number of common shares.

(b) Issued:

	Number of shares		Amount
Balance at December 31, 2008	20,384,555	$	18,611,176
Common shares issued during the year:			
For cash under private placements	24,710,000		1,235,500
For settlement of accounts payable	1,254,960		62,749
Share issuance costs	-		(26,250)
Balance at December 31, 2009	46,349,515		19,883,175
Common shares issued during the year:			
For cash under private placements	28,933,333		2,060,000
For finders fees for the Peru property (note 5)	1,000,000		210,000
Warrants exercised during the year	3,090,000		304,000
Share issuance costs			(439,741)
Balance at December 31, 2010	79,372,848		22,017,434

7. Share capital (continued):

(c) Stock options:

The Company has in place equity incentive plans under which options to purchase common shares can be granted to employees, directors, officers, or consultants. The stock option plan allows for the option price at the time each option is granted to be not less than the discounted market price as calculated and defined in accordance with the policies of the TSX Venture Exchange. The option's term and vesting period is to be determined individually by the Board of Directors or, if appointed, by a special committee.

	Year ended December 31, 2010		Year ended December 31, 2009	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Beginning	1,800,000	$ 0.16	1,350,000	$ 0.24
Granted	7,050,000	0.21	1,400,000	0.14
Cancelled/expired	(2,150,000)	0.29	(950,000)	0.24
Ending	6,700,000	$ 0.17	1,800,000	$ 0.16

Details of stock options outstanding at December 31, 2010::

Quantity	Exercise price	Expiry date
400,000	$ 0.24	February 6, 2013
150,000	$ 0.24	May 6, 2014
450,000	$ 0.10	August 27, 2014
250,000	$ 0.10	October 7, 2014
550,000	$ 0.17	November 24, 2014
1,800,000	$ 0.29	February 10, 2015
3,100,000	$ 0.10	December 16, 2015
6,700,000		

7. Share capital (continued):

(d) Stock-based compensation:

The fair value of each stock option grant was calculated using the Black-Scholes Option Pricing Model incorporating the following weighted average assumptions:

	December 31, 2010	December 31, 2009
Risk free interest rate	1.75%	0.25%
Expected dividend yield	0%	0%
Expected stock price volatility	223%	150%
Expected option life	3 years	5 years
Weighted average grant date fair value per option	$0.19	$ 0.05-0.17

Stock-based compensation reported includes the following:

Year ended December 31, 2010 – On February 11, 2010, the Company issued 3,950,000 stock options to directors, officers, consultants and employees of the Company with a exercise price of $0.29 and an expiry of February 10, 2015. On December 17, 2010, the company issued 3,100,000 stock options to directors, officers, consultants and employees of the Company with a strike price of $0.10 and an expiry of December 16, 2015.

Year ended December 31, 2009 – On May 6, 2009 the Company issued 150,000 stock options to a director of the Company with a strike price of $0.24 and an expiry date of May 6, 2014. On August 27, 2009 the Company issued 450,000 stock options to directors of the Company with a strike price of $0.10 and an expiry date of August 27, 2014. On October 7, 2009 the Company issued 250,000 stock options to a director of the Company with a strike price of $0.10 and an expiry date of October 7, 2014. On November 24, 2009 the Company issued 550,000 stock options to directors of the Company with a strike price of $0.165 per share and an expiry date of November 24, 2014. The company also cancelled 550,000 stock options during the year. All options issued during 2009 vested 25% at date granted, 25% in three months, 25% in six months and 25% in one year.

Measurement uncertainty

The Black-Scholes Option Pricing Model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The employee stock options issued by the Company generally are non-transferable and vest immediately upon grant in 2010 and vested over time in the prior years. Option pricing models require the input of subjective assumptions including expected share price volatility. The fair value estimate can vary materially as a result of changes in the assumptions.

7. Share capital (continued):

(e) Warrants:

Year ended December 31, 2010 – On February 9, 2010, the Company issued 8,100,000 units comprising of one common share and one warrant entitling the holder to purchase one additional common share at a price of $0.12 until February 8, 2011. On November 18, 2010, the Company issued 28,833,333 units comprising of one common share and one warrant entitling the holder to purchase one additional common share at a price of $0.10 until May 17, 2012.

Year ended December 31, 2009 – On May 4, 2009, the Company issued 6,900,000 units comprising of one common share and one warrant entitling the holder to purchase one additional common share at a price of $0.075 until April 16, 2010 and $0.10 from April 17, 2010 until April 16, 2011. On November 5, 2009, the Company issued 17,810,000 units comprising of one common share and one warrant entitling the holder to purchase one additional common share at a price of $0.10 until November 5, 2010 and $0.20 from November 6, 2010 – November 5, 2011.

	Year ended December 31, 2010		Year ended December 31, 2009	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
Beginning	24,710,000	$ 0.15	4,079,034	$ 0.20
Granted	28,933,333	0.11	24,710,000	0.15
Exercised	(3,090,000)	0.10	-	-
Cancelled/expired	-	-	(4,079,034)	0.20
Ending	50,553,333	$ 0.13	24,710,000	$ 0.15

8. Contributed surplus:

	Year ended December 31, 2010	Year ended December 31, 2009
Balance, beginning of year	$ 2,439,722	$ 2,316,220
Increase from stock-based compensation - fair value of stock options granted	1,405,519	123,502
Balance, end of year	$ 3,845,241	$ 2,439,722

9. Related Party Transactions:

The Company entered into the following transactions with related parties:

a) Paid or accrued consulting fees of $45,000 (2009 - $nil) to the chief executive officer and director of the Company.

b) Paid or accrued consulting fees of $63,364 (2009 - $nil) to an operational and financial officer and director of the Company.

c) Paid or accrued consulting fees of $60,060 (2009 - $nil) to a current director of the Company.

d) Paid or accrued management fees of $51,262 (2009 - $nil) to the former chief executive officer of the Company.

e) Paid or accrued consulting of $25,500 (2009 - $nil) to the former chief financial officer 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.

In January, 2010, the Company agreed to pay a finder's fee an aggregate amount of 1,000,000 common shares to each of five individual finders ("finders") respecting the option contract to purchase the metallic mining license in Piura, Peru held by an arm's length third party introduced by the finders. Subsequent to this agreement, Mr. Tony Spat, one of the five finders, became a director of the Company. In conjunction with this transaction, during the year, the Company issued the 200,000 common shares to Mr. Spat.

10. Financial Instruments:

(a) Fair value

The Company's financial instruments included cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and notes payable. It is management's opinion that the fair values of all financial instruments approximate their carrying values.

(b) Foreign currency risk

Denominated in Euros, the Company has cash of €304,379 (2009 – €182,515), accounts receivable of €nil (2009 - €39,336) and accounts payable and accrued liabilities of €nil (2009 - €4,378). The value of these items may change due to fluctuation in exchange rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. It is management's opinion that foreign currency risk is not significant.

(c) Interest rate risk

The Company's finical instruments are not exposed to interest rate risk as the interest rate on its note payable is fixed.

(d) Credit risk

The Company's financial assets that are exposed to credit risk consist of cash and cash equivalents and accounts receivable.

11. Commitments:

The Company terminated its rental agreement for all office spaces in Edmonton and Vancouver during the year and thus does not have any rental commitments for year ended December 31, 2010.

12. Supplemental cash flow information:

	Year-ended December 31, 2010	Year ended December 31, 2009
Supplemental disclosure of cash flows resulting from:		
Interest paid	$ -	$ 10,310
Supplemental disclosure of non-cash transactions		
Shares issued as settlement of accounts payable	-	62,749
Shares issued for finders fees for the Peru property (note 5)	210,000	
Sale of Bear property (note 5)	6,381,970	-
Assignment of notes payable (notes 5 and 6)	1,930,171	-
Investment in Silver Bear Mines (note 5)	1,055,808	-

13. Income taxes:

The components of the net future income tax liability are as follows:

	Year-ended December 31, 2010	Year ended December 31, 2009
Future income tax assets and liabilities:		
Non capital losses	$ 1,045,839	$ 738,339
Expensed exploration costs	1,045,621	1,045,621
Impairment of note receivable for accounting	787,300	787,300
Other	15,268	16,873
Deferred exploration costs	(1,406,826)	(1,399,335)
Valuation allowance	(1,487,202)	(1,188,798)
Net future income tax liability	-	-

At December 31, 2010 the Company has non-capital loss carry-forwards of approximately $4,138,225 (2009 - $3,027,500), of which, $768,519 expire in 2025, $900,110 in 2027, $715,480 in 2028, $643,401 in 2029 and the balance in 2030 if unutilized.

For the year ended December 31, 2010, the provision for income taxes differs from the results expected by applying the combined statutory rate of 28.3% (2009 – 29.0%) to loss from operations before income taxes for the following reasons:

	Year-ended December 31, 2010	Year ended December 31, 2009
Expected recovery of income taxes	$ (1,699,879)	$ (457,492)
Stock based compensation	400,573	35,816
Changes in enacted tax rates	10,701	-
Expenses not deductible for income tax purposes	969	548
Other	989,232	106,055
Chage in valuation allowance	298,404	315,073
	-	-

14. Financial risk exposure and risk management:

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in the operations allows for identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Company's notes payable in 2009 were assigned to Silver Bear as discussed in notes 5 and 6.

The Company's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's exploration program, and limited exposure to credit and market risks. There were no changes to the objectives of the process from the prior year.

The type of risk exposure and the way in which such exposures are managed are as follows:

(a) Credit risk:

Credit risk primarily arises from the Company's cash and cash equivalents, and accounts receivable. The risk exposure is limited to their carrying amounts at the balance sheet date. Cash and cash equivalents are held as cash deposits or invested in guaranteed investment certificates with various maturity dates. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses.

The company periodically assesses the quality of its investments and is satisfied with the credit rating of the bank. To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. No allowance for uncollectible amounts was required at December 31, 2010 except as disclosed in Note 10.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures there is sufficient capital to meet short term business requirements. One of the management's goals is to maintain an optimal level of liquidity through the active management of the assets, liabilities and cash flows.

14. Financial risk exposure and risk management (continued):

The Company does not have cash inflows from operations. To maintain liquidity, the Company relies on proceeds from issuance of shares in private placements and notes payable. The Company's cash equivalents are invested in funds which are available on demand to fund the Company's costs and other financial demands.

(c) Market risk:

The significant market risks to which the Company is exposed are currency, interest rate and commodity price risk.

(i) Currency risk:
The Company has Currency risk relating to funds held in Euros relating to the Solid Mines Espana project. At December 31, 2010 the Company held cash of $304,379 in Euros (noted in their Canadian dollar equivalent).

(ii) Interest rate risk:
The Company's policy is to invest cash in guaranteed investment certificates at fixed or floating rates of interest and cash equivalents are to be maintained in floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. The Company manages risk by monitoring changes in interest rates in comparison to prevailing market rates.

For financial liabilities, the notes payable as at December 31, 2009 had a fixed interest rates of 10% and 12% and were not subject to short term fluctuations in interest rates. These notes payable were assigned to Silver Bear as described in note 5, resulting in a balance of $nil as at December 31, 2010

(d) Commodity risk:

The value of the Company's mineral resource properties depends on the price of copper, gold and other minerals and the outlook for these minerals. During economic downturns, the Company minimizes this risk by acquiring mineral properties at depressed values. In addition, the Company's exposure to the commodity price risk is reduced as none of the properties are in the production stage.

15. Capital Management:

The Company considers the items in shareholders' equity as capital. The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration, and development of its mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development, and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2010.

16. Segment disclosure:

Solid Resources Ltd. operates two business segments which have been segmented based on how management analyzes performance and makes decisions. These business segments are differentiated by geographical area; they include Spanish operation and South America (Peru) operations. Geographical information regarding exploration properties is detailed in Note 5. Included within expenses is $265,580 (2009 - $nil) of administration and general expenses relating to Spanish operations.

17. Subsequent event:

On February 15, 2011, the Company announced that further to the letter of intent announced on April 30, 2010, it has entered into a definitive agreement to sell its 49% interest in the Bear mineral property located in the Northwest Territories (the “Bear Property”) to Silver Bear Mines Inc. (“Silver Bear”), subject to TSX Venture Exchange approval. The Company had received the requisite shareholder approval for the sale of the Bear Property at the annual general and special meeting held on December 13, 2010. The purchase price for the 49% interest in the Bear Property is $3,000,000 and shall be payable: (i) by the assumption of debt (the “Assumed Debt”) owing by the Corporation to certain lenders in the aggregate amount of $1,930,172; and (ii) by the issuance and delivery of 1,250,000 common shares of in the capital of Silver Bear (“Silver Bear Shares”) having an aggregate value of $1,055,809. On April 30, 2010, the Corporation entered into a debt assumption agreement, pursuant to which Silver Bear assumed the Assumed Debt effective as of April 30, 2010 and the lenders released the Corporation from any further obligations under the Assumed Debt.