MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED: JULY 31, 2010
DATE OF THE REPORT: NOVEMBER 2, 2010

INTRODUCTION

This management discussion and analysis ("MD&A") of financial position and results of operations of Pacific Coast Nickel Corp. (the "Company") is prepared as at November 2, 2010 and should be read in conjunction with the annual consolidated financial statements for the years ended July 31, 2010 and 2009. The Company prepares and files its financial statements and notes in Canadian ("CDN") dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information related to the Company is available at www.sedar.com and at www.pacificcoastnickel.com.

DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. Management has evaluated the Company's disclosure controls and procedures and internal controls over financial reporting and has concluded that they were effective at July 31, 2010. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The audit committee meets with management to review the financial statements and the MD&A, and to discuss other financial, operating and internal control matters.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under RISK AND UNCERTAINTIES section in this MD&A. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

OVERALL PERFORMANCE

Description of Business

The principal business of the company is the acquisition, exploration and development of high value mineral properties. As of the date of this report the company has two nickel exploration projects, one project located within the Yukon Territories and a second project located within Uruguay.

SELECTED ANNUAL INFORMATION

The annual information for the years ended July 31, 2010, 2009, and 2008 is as follows:

	Year Ended July 31, 2010	Year Ended July 31, 2009	Year Ended July 31, 2008
Revenue	$Nil	$Nil	$Nil
Interest income	$33,444	$26,748	$97,651
Net loss	$(300,365)	$(321,696)	$(1,506,866)
Net loss per share	$(0.01)	$(0.01)	$(0.04)
Total Assets	$1,885,528	$2,099,195	$2,580,628
Long term Liabilities	$Nil	$Nil	$Nil
Dividends	$Nil	$Nil	$Nil

RESULTS OF OPERATIONS

For the year ended July 31, 2010, the Company incurred a net loss of $300,365 compared to a net loss of $321,696 in the prior year. The decreased loss was mainly due to a $56,893 write-down of the Big Nic and La Paz County mineral properties that occurred in fiscal 2009 and a $26,383 increase in Unrealized gain on marketable securities. Administrative expenses increased by $72,203 over the prior year primarily due to an increase in stock based compensation of $66,180 and $29,847 increase in director and technical review committee fees partially offset by a $40,114 decrease in salaries and wages. Other significant differences in comparison to the prior year were a $19,750 increase in consulting expenses and a $16,386 increase in investor relation expenses.

Canada

The Burwash property is located 8km from the Alaska Highway and adjoins the Wellgreen nickel deposit, a property which has been extensively explored since its discovery in 1952. The Company budgeted and completed a $400,000 innitial exploration program on the property during the summer of 2008; suspended exploration work on the property during the summer of 2009 and has begun a detailed geophysical survey on the property during the summer of 2010. At July 31, 2010, $644,715 had been spent on the Burwash property including acquisition costs. Assay results are available on the Company's website.

Pursuant to an option agreement (the "Agreement") dated May 14, 2008, amended on December 9, 2008, and further amended February 23, 2010 the Company entered into an option agreement (the "Agreement") to acquire up to a 75% interest in the Burwash Property located in the Yukon Territory as follows:

The Company may acquire a 50% interest by:

(a) making the following payments to the Optionor:

- (i) $25,000 upon the execution of this Agreement (paid);
- (ii) an additional $25,000 on or before March 31, 2009 (paid);
- (iii) an additional $30,000 on or before March 31, 2010; (paid)
- (iv) an additional $50,000 on or before March 31, 2011

(b) issuing the following common shares to the Optionor:

- (i) 100,000 upon the execution of the agreement (issued);
- (ii) an additional 100,000 shares on or before March 31, 2009 (issued);
- (iii) an additional 150,000 shares on or before March 31, 2010 (issued); and
- (iv) an additional 200,000 shares on or before March 31, 2011

(c) incurring the following expenditures on the property.

- (i) $400,000 on or before December 1, 2008 (incurred);
- (ii) an additional $250,000 on or before December 1, 2010;
- (iii) an additional $750,000 on or before December 1, 2011; and
- (iii) an additional $1,600,000 on or before December 1, 2012;

The Company may acquire an additional 10% interest by providing the Optionor with a positive bankable feasibility study in respect of the property on or before March 31, 2016 and a further 15% interest by providing all of the funding required to put the Property into commercial production on or before March 31, 2019.

During the 2010 summer the company commenced a detailed geophysical survey of the Burwash property. The survey findings are expected to be completed during the second quarter of the Company's 2011 fiscal year.

Uruguay

The Company has incorporated a wholly-owned subsidiary in Uruguay, Pacific Nickel Sudamerica SA, the purpose of which was to conduct a review of several properties with demonstrated nickel potential. The program to date has resulted in the expenditure of $547,775. The expenditures consisted of reviews of existing data and initial site visits by our geological consultants based in the area. The Company's goal was to acquire several properties as a result of this work. During fiscal 2009 the company applied for and acquired 5 prospecting licences for properties it had reviewed. The company has no future obligations or expenditures requirements related to the Uruguayan properties.

The company is currently reviewing a number of options that will advance the project and will disclose such plans once they have been determined.

Outlook

During the 2009 summer the Company and its technical staff began a global search for a metal property to add to its existing properties. As of the date of this report the company had not secured an additional property that it considers economically viable or that will add shareholder value. The company will continue to assess and review available properties and continue exploration work on its existing properties.

SUMMARY OF QUARTERLY RESULTS

The quarterly results of Pacific Coast Nickel Corp. are as follows:

	July 31, 2010	April 30, 2010	January 31, 2010	October 31, 2009
(a) Net sales or total revenues	$0	$0	$0	$0
(b) Loss before extraordinary items				
- total	$(98,244)	$(60,721)	$(71,678)	$(69,722)
- per share undiluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)
- per share diluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)
(c) Net Loss				
- total	$(98,244)	$(60,721)	$(71,678)	$(69,722)
- per share undiluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)
- per share diluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)

	July 31, 2009	April 30, 2009	January 31, 2009	October 31, 2008
(a) Net sales or total revenues	$0	$0	$0	$0
(b) Loss before extraordinary items				
- total	$(111,240)	$(62,264)	$(72,551)	$(75,641)
- per share undiluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)
- per share diluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)
(c) Net Loss				
- total	$(111,240)	$(62,264)	$(72,551)	$(75,641)
- per share undiluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)
- per share diluted	$(0.01)	$(0.00)	$(0.00)	$(0.00)

FOURTH QUARTER

The quarterly losses recorded in each of the past eight quarters have remained consistent with the exception of the fourth quarter of July 31, 2009 which contained a $56,893 write-down in mineral properties related to the Big Nic, Devil's Lake and La Paz County.

LIQUIDITY

The Company has financed its operations to date through the issuance of common shares. For the foreseeable future as existing properties are developed and as new properties are identified the company will continue to seek capital through the issuance of equity. Currently the Company has sufficient capital to conduct further exploration on its existing properties. The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	July 31, 2010 $	July 31, 2009 $	July 31, 2008 $
Working capital	565,455	974,153	1,607,665
Deficit	(3,103,231)	(2,802,866)	(2,481,170)

The Company's working capital has continued to decrease since the year ended July 31, 2007 when the company completed its initial private placement and as the Company has conducted exploration work on its mineral properties. Cash used in operating activities for the year ended July 31, 2010 was $245,009 compared to$394,916 during the year ended July 31, 2009. Cash used in investing activities for the year ended July 31, 2010 was $260,339 compared to$421,238 during the year ended July 31, 2009. Cash provided by financing activities for the year ended July 31, 2010 was $17,509 compared to $Nil during the year ended July 31, 2009.

CAPITAL RESOURCES

Following the close of its Qualifying Transaction and private placement during fiscal 2007 the Company had $3,680,000 in capital resources to carry out its proposed business plan.

At July 31, 2010, the Company had $505,249 (2009 - $993,088) in cash and cash equivalents to continue its business plan. All of the Company's cash equivalents are on deposit with Canadian banks and brokerage houses as redeemable GIC's or redeemable mutual funds. None of the Company's cash is invested in asset backed commercial paper. The Company has spent $1,000,000 in exploration expenditures that qualify as CEE in order to satisfy the renunciation made in connection with the flow through financing in July 2007.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

TRANSACTIONS WITH RELTED PARTIES

During the year ended July 31, 2010, the Company was charged the following expenses by related parties:

- Wages of $Nil (2009 - $38,500)
- Consulting fees $62,750 (2009 – $22,500)
- Directors fees of $29,000 (2009 - $1,250)
- Accounting fees of $30,000 (2009 -$29,500)
- Rent of $11,400 (2009 - $13,200)
- Geological consulting fees of $Nil (2009 - $11,750)

These fees were recorded at their exchange amount, which is the amount agreed upon by the transacting parties on terms and conditions similar to no-related entities.

At July 31, 2010, due to related parties include $26,412 (2009 - $nil) owing to directors for director fees and technical review fees, $nil (2009 - $3,150) owing to the president of the Company for consulting fees, and $67 (2009 - $5,820) owing to companies with common officer and directors for rental fees.

PROPOSED TRANACTIONS

The Company is reviewing a number of potential property acquisitions in addition to conducting further exploration work on its properties. The search for additional properties is global in nature. As the company conducts exploration work on its existing properties and if an acquisition is made appropriate disclosures will be made.

CRITICAL ACCOUNTING ESTIMATES

Equipment

The Company has adopted amortization policies, which, in the opinion of management, are reflective of the estimated useful lives and abandonment cost, if any, of its Equipment. The Company has not yet recorded any amounts in respect of impairment, as none of these costs has been identified.

Mineral Properties

In addition, the Company will be capitalizing costs related to the development and furtherance of its resource properties. The recovery of those costs will be dependent on the ability of the Company to discover and develop economic reserves and then to develop such reserves in an economic fashion. Management believes that costs capitalized in respect of its projects are not impaired and no adjustments to carrying values are required at this time.

Stock-Based Compensation

The Company uses the Black-Scholes valuation model in calculating stock-based compensation expense. The model requires that estimates be made of stock price volatility, option life, dividend yield and risk free interest rate and the ensuing results could vary significantly if changes are made in these assumptions.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective August 1, 2009, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period consolidated financial statements:

Emerging Issues Committee Abstracts ("EIC") 173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* provides guidance on how to take into account an entity's own credit risk and the credit risk of the counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this standard had no impact on the Company's financial statements for fiscal 2010.

EIC 174 *Mining Exploration Costs* provides guidance related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The adoption of this standard had no impact on the Company's financial statements for fiscal 2010.

Amendments to CICA Section *3862 Financial Instruments – Disclosures*. These amendments are applicable to the Company's annual financial statements, requiring additional disclosure about fair value measurements of financial instruments and enhanced liquidity disclosure requirements for publically accountable enterprises. The disclosures required by these new standards are included in Note 16 of the consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries PCNC Holdings Corp., Pacific Coast Nickel Corp. USA and Pacific Nickel Sudamerica Sociedad Anonima, Uruguay. All significant inter-company balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid short-term investments with a maturity of less than 90 days from the date of acquisition, or which are redeemable at the option of the Company.

Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future revenues from the property or from the sale of the property. Amounts shown for the properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Flow-Through Shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related exploration expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

The Company follows the recommendations of EIC-146 with respect to flow-through shares. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made.

SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided over the estimated useful life of the asset using the declining balance method at annual rates of between 20% and 30% with one-half year's amortization recorded in the year of acquisition.

Marketable securities

Investments in mutual funds and shares of public companies traded on an active market over which the Company does not have control or exercises significant influence are classified as held-for-trading and accounted for at fair market value, based upon quoted market share prices at the balance sheet date. Unrealized gains or losses on these investments are recorded in income.

Foreign Currency Translation

The Company's consolidated financial statements are expressed in Canadian dollars. The accounts of integrated foreign operations, which are initially recorded in United States dollars and Argentina Pesos, have been translated into Canadian dollars using the temporal method. Monetary assets and liabilities originating in foreign currencies are translated at the prevailing rates of exchange at the balance sheet date. Expenses and income are translated at the rates of exchange in effect on the dates of the related transactions. Non-monetary items are translated at the rates in effect when the items were acquired. Exchange gains and losses arising on translation are included in determining current earnings.

Stock-Based Compensation

The Company has a stock-based compensation plan as disclosed in Note 8 whereby stock options are granted and share purchase warrants are issued in accordance with the policies of regulatory authorities. The fair value of all options and warrants is charged as a compensation cost over their respective vesting period with a corresponding increase to contributed surplus. Upon exercise of options and warrants, the consideration paid by the holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The Company uses the Black-Scholes option pricing model to calculate the fair value of stock-based compensation.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes, only if it is more likely than not that they can be realized. Future income tax assets are adjusted for the effects of changes in tax laws and rates at the date of enactment or substantive enactment.

Loss per Share

Basic loss per share is computed by dividing the net loss for the year by the weighted average number of shares outstanding during the year. Diluted loss per share is equal to basic loss per share since the effect of outstanding warrants and options is excluded in the calculation as they are anti-dilutive.

Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses for a period. Significant areas requiring the use of estimates include stock-based compensation, impairment of mineral properties, asset retirement obligations and future income tax asset valuation allowances. Management bases its estimates on historical experience and on other assumptions considered to be reasonable under the circumstances. However, actual results may differ from the estimates.

Asset Retirement Obligations

The Company recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statements of operations. The increase in the carrying value of the asset is amortized on the same basis as the related long-lived asset. The Company has not identified any asset retirement obligations for the years ended July 31, 2010 and 2009.

SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Impairment of Long-Lived Assets

Long-term assets are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

Financial Instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3840, "Related Party Transactions".

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company classified its cash and cash equivalents and its marketable securities as held-for-trading, and its accounts payable as other financial liabilities.

Comprehensive Loss.

Comprehensive loss reflects net loss and other comprehensive loss for the period. Other comprehensive loss includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective. As the Company has no items consisting of other comprehensive loss its net loss is the same as its comprehensive loss.

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

RECENT ACCOUNTING PRONOUNCEMENTS

Business combinations, consolidated financial statements and non-controlling interests

In January 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 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS (cont'd...)

International Financial Reporting Standards ("IFRS")

In January 2006, the AcSB adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The IFRS transition date for the Company will be August 1, 2011 and will require the restatement for comparative purposes the amounts reported by the Company for the year ended July 31, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

OTHER ITEMS

Common Shares July 31, 2010 and November 2, 2010

	Number of Shares	Amount
July 31, 2010	34,894,000	$ 3,624,875
August 2010 Private Placement	5,565,842	$ 249,666
November 2, 2010	40,459,842	$ 3,874,541

Stock Options July 31, 2010 and November 2, 2010

	Number	Weighted Average Exercise Price	Expiry
	275,000	0.16	January 7, 2013
	200,000	0.15	May 27, 2013
	1,000,000	0.10	August 7, 2014
	75,000	0.10	September 17,2014
	750,000	0.10	November 6, 2014
	250,000	0.10	May 25, 2012
July 31, 2010	2,550,000	$ 0.11	
	500,000	0.05	August 3, 2012
November 2, 2010	3,050,000	$ 0.10	

Warrants July 31, 2010 and November 2, 2010

	Number	Weighted Average Exercise Price	Expiry
July 31, 2010	Nil	$ -	
August 2010 Private Placement	2,757,921	0.10	August 3,2012
November 2,2010	2,757,921	$ 0.10	

RISKS AND UNCERTAINTIES

The Company has incurred losses since inception and as of July 31, 2010 had an accumulated deficit of $3,103,231. The Company expects to report substantial net losses for the foreseeable future. The Company has not paid any cash or other dividends on its common stock and does not expect to pay any dividends, as all available funds will be invested primarily to further its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

The Company has limited financial resources and has financed its operations through the sale of common shares. The Company will need to continue its reliance on the sale of such securities for future financing resulting in dilution to the Company's existing shareholders.

Capital Risk

The amount of financial resources available to the Company to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and the ability of the Company to issue common shares or obtain debt financing. Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

Dependence on Key Personnel

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting professional personnel is time consuming, expensive and competitive. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

General Risk Associated with the Mining Industry

The Company is engaged in the exploration and development of mineral deposits. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases eliminate. The commercial viability of any mineral deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure, government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations. Management attempts to mitigate its exploration risk by maintaining a diversified portfolio, our strategy of developing joint venture agreements with other companies is a factor which balances risk while at the same time allowing properties to be advanced.

Management believes that climate change will have minimal effect on its current operations except that the length of field seasons may be affected to a minor extent. Management does however expect government regulation to increase as greater scrutiny is directed towards mining and its affects on climates and local environments. Management will monitor the trends as they develop and determine whether there are future effects on operations.

Foreign Currency Risk

The Company intends to continue business in South America and may conduct business in other foreign jurisdictions. In addition, prices of commodities mined are primarily quoted in US dollars as are the costs of development and equipment expenditures. Recent fluctuations in the Canadian dollar will have an impact on the mining industry and we will continue to be mindful of the effects on the Company.

MANAGEMENT AND DIRECTORS

Management of the Company at July 31, 2010 and November 2, 2010 was as follows:

Name and Residence	Position	Principal Occupation
James Walchuck Vancouver, BC	President, Chief Executive Officer and Director	Professional Engineer, Former President and Chief Executive Officer of Tournigan Gold Ltd., Manager of Mining with a Barrick gold subsidiary and director of several public companies.
Murray McClaren North Vancouver, BC	Vice President and Director	Geologist, Professional Geoscientist
John Kerr Vancouver, BC	Director (1)	Geologist, Professional Engineer and Director of two other companies.
Michael Sweatman Delta, BC	Director (1)	Chartered Accountant. Chief Financial Officer of Marifil Mines Ltd and director of several public companies.
John Icke Vancouver, BC	Director (1)	President and Chief Executive Resinco Capital Partners Inc. and director of several public companies.
Roger Foster Vancouver, BC	Chief Financial Officer	Former Chief Financial Officer of Longview Capital Partners, Oriental Minerals, and Cue Resources. Ernst & Young Chartered Accountants (formerly Ellis Foster – Chartered Accountants)

(1) Member of the audit committee

SUBSEQUENT EVENTS

On August 12, 2010 the Company completed a non-brokered private placement and issued 5,515,842 flow through units for gross proceeds of $275,792. The flow through units consisted of one flow-through common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable for one common share of the Company at a price of $0.10 per share until August 9, 2012. The funds raised are to be utilized to further exploration work on the Company's Burwash project. In relations to this private placement, the Company issued 50,000 shares and also 500,000 options to Limited Market Dealer Inc. as commission fees entitling them to purchase 500,000 units at a price of $0.05 per unit exercisable for a period of 24 months.

CONSOLIDATED FINANCIAL STATEMENTS

(An Exploration Stage Company)

JULY 31, 2010 AND 2009

MANNING ELLIOTT

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Pacific Coast Nickel Corp.
(An Exploration Stage Company)

We have audited the consolidated balance sheets of Pacific Coast Nickel Corp. as at July 31, 2010 and 2009 and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 July 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

October 29, 2010

PACIFIC COAST NICKEL CORP. (An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
JULY 31, 2010 AND 2009

	2010	2009
ASSETS		
Current		
Cash and cash equivalents	**$ 505,249**	$ 993,088
Marketable securities	**150,757**	44,149
Amounts receivable	**9,908**	9,116
Prepaid expenses	**6,114**	19,855
	672,028	1,066,208
Exploration deposit (Note 5)	**11,863**	408
Equipment (Note 6)	**9,147**	13,196
Mineral properties (Note 7)	**1,192,490**	1,019,383
	$ 1,885,528	$ 2,099,195
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 80,094**	$ 83,085
Due to related parties (Note 10)	**26,479**	8,970
	106,573	92,055
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	**3,624,875**	3,618,875
Contributed surplus (Note 9)	**1,257,311**	1,191,131
Deficit	**(3,103,231)**	(2,802,866)
	1,778,955	2,007,140
	$ 1,885,528	$ 2,099,195

Nature and Continuance of Operations (Note 1)
Commitments (Note 13)

APPROVED ON BEHALF OF THE BOARD:

"Michael Sweatman" Director *"John Kerr"* Director

(The accompanying notes are an integral part of the consolidated financial statements)

PACIFIC COAST NICKEL CORP. (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED JULY 31, 2010 AND 2009

	2010	2009
EXPENSES		
Office and miscellaneous	**$ 74,206**	$ 79,493
Professional fees	**67,789**	78,626
Stock-based compensation	**66,180**	-
Consulting fees	**62,750**	43,000
Director and technical review committee fees	**29,847**	-
Transfer agent and filing fees	**29,171**	28,695
Investor relations	**16,386**	-
Salaries and wages	**3,810**	43,924
Foreign exchange	**1,686**	5,764
Amortization	**281**	401
	352,106	279,903
Loss before other items	**(352,106)**	(279,903)
OTHER ITEMS		
Interest income	**33,444**	26,748
Write-down of mineral properties	**-**	(56,893)
Loss on disposal of equipment	**-**	(6,246)
Unrealized gain (loss) on marketable securities	**21,063**	(5,320)
Renouncement penalty	**(2,766)**	(82)
Net loss and comprehensive loss	**(300,365)**	(321,696)
Deficit, beginning of year	**(2,802,866)**	(2,481,170)
Deficit, end of year	**$ (3,103,231)**	$ (2,802,866)
Basic and diluted loss per share	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding	**34,794,000**	34,677,333

(The accompanying notes are an integral part of the consolidated financial statements)

PACIFIC COAST NICKEL CORP. (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2010 AND 2009

	2010	2009
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss	**$ (300,365)**	$ (321,696)
Items not affecting cash:		
Stock-based compensation	**66,180**	-
Write-down of mineral properties	**-**	56,893
Unrealized loss (gain) on marketable securities	**(21,063)**	5,320
Loss on disposal of equipment	**-**	6,246
Amortization	**281**	401
	(254,967)	(252,836)
Changes in non-cash working capital:		
Amounts receivable	**(792)**	12,938
Prepaid expenses	**13,741**	11,306
Accounts payable	**(2,991)**	(166,324)
	(245,009)	(394,916)
INVESTING ACTIVITIES		
Additions in mineral properties	**(163,339)**	(792,171)
Decrease (increase) in exploration deposit	**(11,455)**	402,078
Reclamation bond refunded	**-**	4,100
Acquisition of marketable securities	**(85,545)**	(49,469)
Proceeds from disposal of equipment	**-**	14,224
	(260,339)	(421,238)
FINANCING ACTIVITY		
Due to related parties	**17,509**	-
Net decrease in cash	**(487,839)**	(816,154)
Cash and cash equivalents, beginning of year	**993,088**	1,809,242
Cash and cash equivalents, end of year	**$ 505,249**	$ 993,088
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ -	$ -

Non-cash Transactions (Note 11)

(The accompanying notes are an integral part of the consolidated financial statements)

1. NATURE AND CONTINUANCE OF OPERATIONS

Pacific Coast Nickel Corp. (the "Company") was incorporated under the Business Corporations Act of B.C. on April 5, 2006. The Company is listed on TSX Venture Exchange ("TSX-V") and trades under the symbol NKL.

The Company is primarily engaged in the acquisition and exploration of mineral properties and is considered to be in the exploration stage. No revenues have been earned to date from its operations. The Company has not yet determined whether its mineral properties contain reserves that are economically recoverable. 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 using Canadian generally accepted accounting principles ("GAAP") applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. The Company has accumulated losses of $3,103,231 to July 31, 2010. The Company's ability to continue as a going concern is dependent upon the Company obtaining the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective August 1, 2009, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period consolidated financial statements:

Emerging Issues Committee Abstracts ("EIC") 173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* provides guidance on how to take into account an entity's own credit risk and the credit risk of the counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this standard had no impact on the Company's financial statements for fiscal 2010.

EIC 174 *Mining Exploration Costs* provides guidance related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The adoption of this standard had no impact on the Company's financial statements for fiscal 2010.

Amendments to CICA Section *3862 Financial Instruments – Disclosures*. These amendments are applicable to the Company's annual financial statements, requiring additional disclosure about fair value measurements of financial instruments and enhanced liquidity disclosure requirements for publically accountable enterprises. The disclosures required by these new standards are included in Note 16.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries PCNC Holdings Corp., Pacific Coast Nickel Corp. USA and Pacific Nickel Sudamerica Sociedad Anonima, Uruguay. All significant inter-company balances and transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid short-term investments with a maturity of less than 90 days from the date of acquisition, or which are redeemable at the option of the Company.

Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future revenues from the property or from the sale of the property. Amounts shown for the properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Flow-Through Shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related exploration expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

The Company follows the recommendations of EIC-146 with respect to flow-through shares. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided over the estimated useful life of the asset using the declining balance method at annual rates of between 20% and 30% with one-half year's amortization recorded in the year of acquisition.

Marketable securities

Investments in mutual funds and shares of public companies traded on an active market over which the Company does not have control or exercises significant influence are classified as held-for-trading and accounted for at fair market value, based upon quoted market share prices at the balance sheet date. Unrealized gains or losses on these investments are recorded in income.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign Currency Translation

The Company's consolidated financial statements are expressed in Canadian dollars. The accounts of integrated foreign operations, which are initially recorded in United States dollars and Argentina Pesos, have been translated into Canadian dollars using the temporal method. Monetary assets and liabilities originating in foreign currencies are translated at the prevailing rates of exchange at the balance sheet date. Expenses and income are translated at the rates of exchange in effect on the dates of the related transactions. Non-monetary items are translated at the rates in effect when the items were acquired. Exchange gains and losses arising on translation are included in determining current earnings.

Stock-Based Compensation

The Company has a stock-based compensation plan as disclosed in Note 8 whereby stock options are granted and share purchase warrants are issued in accordance with the policies of regulatory authorities. The fair value of all options and warrants is charged as a compensation cost over their respective vesting period with a corresponding increase to contributed surplus. Upon exercise of options and warrants, the consideration paid by the holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The Company uses the Black-Scholes option pricing model to calculate the fair value of stock-based compensation.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes, only if it is more likely than not that they can be realized. Future income tax assets are adjusted for the effects of changes in tax laws and rates at the date of enactment or substantive enactment.

Loss per Share

Basic loss per share is computed by dividing the net loss for the year by the weighted average number of shares outstanding during the year. Diluted loss per share is equal to basic loss per share since the effect of outstanding warrants and options is excluded in the calculation as they are anti-dilutive.

Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses for a period. Significant areas requiring the use of estimates include stock-based compensation, impairment of mineral properties, asset retirement obligations and future income tax asset valuation allowances. Management bases its estimates on historical experience and on other assumptions considered to be reasonable under the circumstances. However, actual results may differ from the estimates.

Asset Retirement Obligations

The Company recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statements

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Asset Retirement Obligations (cont'd...)

of operations. The increase in the carrying value of the asset is amortized on the same basis as the related long-lived asset. The Company has not identified any asset retirement obligations for the years ended July 31, 2010 and 2009.

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Impairment of Long-Lived Assets

Long-term assets are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

Financial Instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3840, "Related Party Transactions".

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company classified its cash and cash equivalents and its marketable securities as held-for-trading, and its accounts payable as other financial liabilities.

Comprehensive Loss

Comprehensive loss reflects net loss and other comprehensive loss for the period. Other comprehensive loss includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective. As the Company has no items consisting of other comprehensive loss its net loss is the same as its comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share issue costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to expenses.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Business combinations, consolidated financial statements and non-controlling interests

In January 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 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

International Financial Reporting Standards ("IFRS")

In January 2006, the AcSB adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The IFRS transition date for the Company will be August 1, 2011 and will require the restatement for comparative purposes the amounts reported by the Company for the year ended July 31, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

5. EXPLORATION DEPOSIT

At July 31, 2010, exploration deposit included $11,863 (2009 - $408) held by the operator of the Burwash Property (Note 7) exploration program for exploration work incurred subsequent to year-end.

6. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2010	Net Book Value 2009
Computer equipment	$ 1,572	$ 917	$ 655	$ 936
Exploration equipment	23,304	14,812	8,492	12,260
	$ 24,876	$ 15,729	$ 9,147	$ 13,196

7. MINERAL PROPERTIES

Big Nic, Canada

	July 31, 2008 $	Expenditures $	Written-off $	July 31, 2009 $	Expenditures $	Written-off $	July 31, 2010 $
Acquisition costs	-	-		-	-	-	-
Exploration costs							
Geophysical	-	-	-	-	-	-	-
Consulting	-	5,853	(5,853)	-	-	-	-
Drilling	-	-	-	-	-	-	-
Field expenses	-	3,858	(3,858)	-	-	-	-
Stock-based compensation	-	-	-	-	-	-	-
Wages	-	1,887	(1,887)	-	-	-	-
Assessment fees	-	-	-	-	-	-	-
Assays and reports	-	12,503	(12,503)	-	-	-	-
Equipment rental	-	-	-	-	-	-	-
	-	24,101	(24,101)	-	-	-	-
	-	24,101	(24,101)	-	-	-	-

Devils Lake, Canada

	July 31, 2008 $	Expenditures $	Written-off $	July 31, 2009 $	Expenditures $	Written-off $	July 31, 2010 $
Acquisition costs	-	-	-	-	-	-	-
Exploration costs							
Assays	-	-	-	-	-	-	-
Field expenses	-	-	-	-	-	-	-
Consulting	-	700	(700)	-	-	-	-
		700	(700)	-	-	-	-
		700	(700)	-	-	-	-

7. MINERAL PROPERTIES (cont'd...)

	July 31, 2008 $	Expenditures $	Written-off $	July 31, 2009 $	Expenditures $	Written-off $	July 31, 2010 $
Burwash, Canada							
Acquisition costs	33,500	28,000	-	61,500	36,000	-	97,500
Exploration costs							
Amortization	-	6,323	-	6,323	1,868	-	8,191
Assays	-	6,764	-	6,764	662	-	7,426
Consulting	13,292	31,582	-	44,874	-	-	44,874
Drilling	7,798	177,654	-	185,452	-	-	185,452
Field expenses	14,972	71,861	-	86,833	569	-	87,402
Government fee	-	2,690	-	2,690	-	-	2,690
Geological surveys	-	-	-	-	76,156	-	76,156
Legal	-	-	-	-	858	-	858
Labour	28,183	105,305	-	133,488	678	-	134,166
	64,245	402,179	-	466,424	80,790	-	547,215
	97,745	430,179	-	527,924	116,790	-	644,715
La Paz County, USA							
Acquisition costs	19,022	-	(19,022)	-	-	-	-
Research and other	11,914	1,156	(13,070)	-	-	-	-
	30,936	1,156	(32,092)	-	-	-	-
Sarandi del Yi, Durazno, Uruguay							
Acquisition costs	7,048	-	-	7,048	-	-	7,048
Exploration costs							
Amortization	-	1,782	-	1,782	1,901	-	3,683
Assays	-	16,634	-	16,634	-	-	16,634
Equipment rental	-	6,059	-	6,059	(6,059)	-	-
Field expenses	8,490	61,313	-	69,803	6,933	-	76,736
Consulting	61,025	170,076	-	231,101	42,063	-	273,164
Legal	20,180	24,175	-	44,355	5,375	-	49,730
Mapping	7,556	13,204	-	20,760	-	-	20,760
Property fees	-	11,066	-	11,066	(508)	-	10,558
Stock-Comp.	18,000	-	-	18,000	-	-	18,000
Travel	18,343	46,508	-	64,851	6,612	-	71,462
	133,594	350,817	-	484,411	56,317	-	540,727
	140,642	350,817	-	491,459	56,317	-	547,775
	269,323	806,953	(56,893)	1,019,383	173,107	-	1,192,490

7. MINERAL PROPERTIES (cont'd...)

Big Nic Property

Pursuant to an agreement dated December 31, 2004, the Company was granted an option to acquire a 100% interest in 49 mineral claims known as the Big Nic Property located in the New Westminster Mining Division of British Columbia. At July 31, 2008, the Company abandoned its interest in the Big Nic Property. At July 31, 2009 the company wrote off mineral property acquisition and exploration costs totalling $24,101.

Devils Lake Property

On December 6, 2007, the Company was granted the option to acquire a 100% interest in the Devils Lake Property located in the New Westminster Mining Division of British Columbia. At July 31, 2008, the Company abandoned its interest in the Devils Lake Property. At July 31, 2009 wrote off mineral property acquisition and exploration costs totalling $700.

Burwash Property

Pursuant to an option agreement (the "Agreement") dated May 14, 2008, amended on December 9, 2008 and further amended February 23, 2010, the Company entered into an option agreement (the "Agreement") to acquire up to a 75% interest in the Burwash Property located in the Yukon Territory as follows:

The Company may acquire a 50% interest by:

(a) making the following payments to the optionor:

- (i) $25,000 upon the execution of the Agreement (paid);
- (ii) an additional $25,000 on or before March 31, 2009 (paid);
- (iii) an additional $30,000 on or before March 31, 2010 (paid); and
- (iv) an additional $50,000 on or before March 31, 2011.

(b) issuing the following common shares to the optionor:

- (i) 100,000 shares upon the execution of the agreement (issued);
- (ii) an additional 100,000 shares on or before March 31, 2009 (issued);
- (iii) an additional 150,000 shares on or before March 31, 2010 (issued);
- (iv) an additional 200,000 shares on or before March 31, 2011.

(c) incurring the following expenditures on the property by December 1, 2010:

- (i) $400,000 on or before December 1, 2008 (incurred);
- (ii) an additional $ 250,000 on or before December 1, 2010; and
- (iii) an additional $ 750,000 on or before December 1, 2011; and
- (iv) an additional $1,600,000 on or before December 1, 2012.

The Company may acquire an additional 10% interest by providing the optionor with a positive feasibility study in respect of the property on or before March 31, 2016 and a further 15% interest by providing all of the funding required to put the Property into commercial production on or before March 31, 2019.

7. MINERAL PROPERTIES (cont'd...)

La Paz County Property, Arizona, U.S.A.

The Company staked certain lode mining claims in La Paz County, Arizona. At July 31, 2009, the Company abandoned its interest in La Paz County Property and wrote off mineral exploration costs totalling $32,092.

Prospecting Licences, Uruguay

The Company has received five prospecting licences in Uruguay and has begun an exploration program on these properties. To date the company has spent $547,775 on the properties and intends to continue exploration work.

8. SHARE CAPITAL

Common Shares

Authorized:
Unlimited number of common shares without par value

Issued:	Number		Amount
Balance – July 31, 2008	34,644,000	$	3,615,875
Shares issued for mineral properties	100,000		3,000
Balance – July 31, 2009	34,744,000	$	3,618,875
Shares issued for mineral properties	150,000		6,000
Balance – July 31, 2010	34,894,000	$	3,624,875

During the year ended July 31, 2009, the Company issued 100,000 common shares at a fair value of $3,000 for payment of the Burwash property.

During the year ended July 31, 2010, the Company issued 150,000 common shares at a fair value of $6,000 for payment of the Burwash property.

Escrow

At July 31, 2010, there were Nil common shares held in escrow. The Company released 2,936,850 shares in January 10, 2010 and July 10, 2010.

Warrants

At July 31, 2010, there were Nil (2009 – Nil) warrants outstanding enabling holders to acquire common shares.

8. SHARE CAPITAL (con't...)

Stock Options

The Company has a stock option plan in place 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 shares of the Company. The options can be granted for a maximum term of five years and vest at the discretion of the Board of Directors. The following table summarizes the stock option plan transactions to July 31, 2010:

	Number	Weighted Average Exercise Price	Expiry
Outstanding, July 31, 2008	3,037,500	$ 0.47	
Cancelled	(325,000)	0.60	July 16, 2012
Cancelled	(200,000)	0.60	July 20, 2012
Cancelled	(300,000)	0.15	June 18, 2013
Cancelled	(137,500)	0.16	June 18, 2013
Outstanding, July 31, 2009	2,075,000	0.50	
Granted	1,000,000	0.10	August 7, 2014
Granted	75,000	0.10	September 17, 2014
Cancelled	(1,600,000)	-	-
Granted	750,000	0.10	November 6, 2014
Granted	250,000	0.10	May 25, 2012
Outstanding, July 31, 2010	2,550,000	0.11	

At July 31, 2010, 2,300,000 outstanding options were exercisable and had a weighted average remaining contractual life of 3.6 years.

Price	Number Outstanding	Number Exercisable	Expiry Date
$0.16	275,000	275,000	January 7, 2013
$0.15	200,000	200,000	May 27, 2013
$0.10	1,000,000	1,000,000	August 7, 2014
$0.10	75,000	75,000	September 17, 2014
$0.10	750,000	750,000	November 6 ,2014
$0.10	250,000	-	May 25, 2012
	2,550,000	2,300,000	

During the year ended July 31, 2010, the Company granted 2,075,000 options to directors, officers and consultants of the Company which vested on the date of grant. The Company charged $66,180 to operations as stock-based compensation. The weighted average grant date fair value of the share purchase option granted in 2010 fiscal year was $0.03 per option and was estimated on the grant dates using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair value of options were as follows:

	2010
Expected dividend yield	0.00%
Expected volatility	149%
Risk-free interest rate	2.63%
Expected term in years	4.64 years

9. CONTRIBUTED SURPLUS

The following table summarizes the Company's contributed surplus:

Balance – July 31, 2008 and 2009	$	1,191,131
Fair value of options granted		66,180
Balance – July 31, 2010	$	1,257,311

10. RELATED PARTY TRANSACTIONS

During the year ended July 31, 2010, the Company was charged the following expenses by directors or officers of the Company or by companies with directors or officers in common with the Company:

Wages of $Nil (2009 - $38,500)

Consulting fees of $62,750 (2009 – $22,500)

Directors and technical review committee fees of $29,000 (2009 - $1,250)

Accounting fees of $30,000 (2009 - $29,500)

Rent of $11,400 (2009 - $13,200)

Geological consulting fees of $Nil (2009 - $11,750)

These fees were recorded at their exchange amount, which is the amount agreed upon by the transacting parties on terms and conditions similar to non-related entities.

At July 31, 2010, due to related parties include $26,412 (2009 - $nil) owing to directors for director fees and technical review fees, $nil (2009- $3,150) owing to the president of the Company for consulting fees, and $67 ($5,820) owing to companies with common officer and directors for rental fees.

11. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statements of cash flows.

During the year ended July 31, 2010:

a) The Company issued 150,000 common shares valued at $6,000 pursuant to option payments on mineral property agreements.

b) The Company capitalized amortization on equipment of $3,769 to mineral properties.

During the year ended July 31, 2009:

a) The Company issued 100,000 common shares valued at $3,000 pursuant to option payments on mineral property agreements.

b) The Company capitalized amortization on equipment of $8,105 to mineral properties.

12. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2010	2009
Canadian statutory income tax rate	29.13%	30.21%
Income tax recovery at statutory rate	$ (87,492)	$ (97,184)
Increase (decrease) resulting from:		
Non-deductible expenses	(20,073)	3,494
Change in tax rate	9,556	3,448
Change in valuation allowance	98,009	90,242
Future income tax recovery	$ -	$ -

The Company's future income tax assets and liabilities at July 31, 2010 and July 31, 2009 comprised the following:

	2010	2009
Non-capital loss carry forwards	$ 480,834	$ 350,791
Share issue costs	85,782	81,057
Resource properties	(30,161)	12,136
Equipment	8,493	(958)
Other	(3,913)	-
Valuation allowance	(541,035)	(443,026)
Future income tax liability	$ -	$ -

The Company has non-capital loss carryforwards of $1,923,000 available to reduce future Canadian taxable income subject to final determination by the Canada Revenue Agency. The losses expire as follows:

Year	$
2015	26,000
2026	46,000
2027	427,000
2028	480,000
2029	491,000
2030	453,000
	1,923,000

13. COMMITMENTS

The Company is required to make exploration expenditures in order to acquire an interest in the Burwash Property as described in Note 7.

14. SEGMENTED INFORMATION

The Company operates in three geographic areas with mineral properties at carrying values as follows:

	2010	2009
	$	$
Mineral Properties		
Canada	644,715	527,924
USA	-	-
Uruguay	547,775	491,459
	1,192,490	1,019,383

15. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously-reported results.

16. FINANCIAL INSTRUMENTS

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 judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial instruments consist of cash and cash equivalents, marketable securities, amounts receivable, accounts payable, and due to related parties.

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held for trading, held-to-maturity investments, available-for-sale, loans and receivables and other financial liabilities. The Company classifies its cash and cash equivalents and its marketable securities as held-for-trading, amounts receivable as loans and receivables, and its accounts payable and due to related parties as other financial liabilities.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

		2010		2009
Held for trading (i)	$	656,006	$	1,037,237
Loans and receivables (ii)	$	9,908	$	9,116
Other financial liabilities (iii)	$	106,573	$	92,055

(i) Cash and cash equivalents and marketable securities
(ii) Amounts receivable
(iii) Accounts payable and due to related parties

16. FINANCIAL INSTRUMENTS (cont'd...)

The Company is exposed to certain risks through the use of financial instruments, including market risk (currency risk, interest rate risk and commodity risk), credit risk, and liquidity risk. The Company manages its exposure to risk through the identification and analysis of risks faced by the Company, setting appropriate risk limits and controls, and monitoring those risk and adherence to the limits and controls that are established. Risk management is carried out by senior management under the approval of the Board of Directors. Risk management practices are reviewed regularly by senior management and the Audit Committee to reflect changes in market conditions and the Company's activities.

Fair Value

The estimated fair values of cash and cash equivalent, accounts payable and due to related parties approximate their respective carrying values due to the immediate or short period to maturity. The fair value of marketable securities is determined directly by reference to quoted market prices. For fair value estimates the Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in CICA Handbook section 3862 *Financial Instruments –Disclosures*:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	2010 Total
Cash and cash equivalents	$ 505,249	$ -	$ -	$ 505,249
Marketable securities	150,757			150,757
	$ 656,006	$ -	$ -	$ 656,006

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity and equity prices. The Company does not actively trade in marketable securities. As of July 31, 2010 the Company had $150,757 invested in marketable securities and periodically monitors the investments it makes. It is management's opinion that the Company is not exposed to significant market risk.

a. Currency risk:

The Company has operations in both Canada and in Uruguay and is exposed to foreign exchange risk due to fluctuations in the Argentinean Peso. Foreign exchange arises from purchase transactions as well as financial assets and liabilities denominated in the Argentinean Peso. The Company's reporting and functional currency is Canadian dollars.

As at July 31, 2010, the Company has an immaterial amount of cash and cash equivalents and accounts payable and accrued liabilities in Argentinean Peso. The company currently does not use any foreign exchange contracts to hedge this currency risk.

16. FINANCIAL INSTRUMENTS (cont'd...)

b. Interest rate risk:

The Company is exposed to interest rate risk on its cash and cash equivalents. It is in management's opinion that the Company is not exposed to significant interest risk.

c. Commodity and equity risk:

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

<u>Credit risk</u>

Credit risk is the risk of financial loss associated with a counterparty's inability to fulfil its payment obligations.

The Company does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfil a contractual obligation. The Company does not have any asset-backed commercial instruments.

Financial instruments that potentially subject the company to credit risk consist of cash and cash equivalents and amounts receivable. The company places its cash and cash equivalents with high credit quality financial institutions and amounts receivable are due from government departments.

<u>Liquidity risk</u>

Liquidity risk is the risk that the Company cannot meet its financial obligation. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flow to ensure that there is sufficient capital in order to meet short term obligations.

17. MANAGEMENT OF CAPITAL

The Company considers the following the components of shareholders' equity to comprise its capital:

	2010	2009
Share capital	3,624,875	3,618,875
Contributed surplus	1,257,311	1,191,131
Deficit	(3,103,231)	(2,802,866)
Total Capital	1,778,955	2,007,140

The Company's objectives when managing capital are:

a) To ensure that the Company maintains the level of capital necessary to meet its operational requirements;

b) To allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new properties and to develop its existing properties;

c) To give shareholders sustained growth in shareholder value by increasing shareholders' equity; and

d) To maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

a) Raising capital through equity financings

The Company is not subject to any externally imposed capital requirements.

The Company's management monitors the Company's capital to ensure capital resources will be sufficient to discharge its liabilities on an on-going basis.

18. SUBSEQUENT EVENTS

On August 12, 2010 the Company completed a non-brokered private placement and issued 5,515,842 flow through units for gross proceeds of $275,792. The flow through units consisted of one flow-through common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable for one common share of the Company at a price of $0.10 per share until August 9, 2012. The funds raised are to be utilized to further exploration work on the Company's Burwash project. In relations to this private placement, the Company issued 50,000 shares and also 500,000 options to Limited Market Dealer Inc. as commission fees entitling them to purchase 500,000 units at a price of $0.05 per unit exercisable for a period of 24 months.