

SONA RESOURCES CORP.

(formerly J-Pacific Gold Inc.)

Management Discussion and Analysis

December 31, 2010

Notice to reader

The following discussion, prepared as of April 27, 2011, is management's discussion and analysis ("MD&A") of the results and financial condition of Sona Resources Corp. (the "Company" or "Sona"), formerly J-Pacific Gold Inc., and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2010, and the related notes attached thereto. The preparation of this financial data is in accordance with Canadian generally accepted accounting principles, and all figures are reported in Canadian dollars unless otherwise indicated.

During the year ended December 31, 2010, the Company consolidated its share capital on a basis of five old shares for one new share. This MD&A and the audited consolidated financial statements for the year ended December 31, 2010, reflect the share consolidation.

Forward-looking information

When used in this document, such words as "anticipate," "believe," "estimate," "expect" and similar terms are intended to identify forward-looking statements. Such statements are used to describe management's future plans, objectives and goals for the Company, and therefore involve inherent risks and uncertainties. The reader is cautioned that actual results, performance, or achievements may be materially different from those implied or expressed in such statements.

Mineral properties

Blackdome Gold Mine – Clinton Mining Division, British Columbia

Project milestones

- 2010 – Estimate of Blackdome resource completed by SRK Consulting (Canada) Inc.
- 2010 – Metallurgical study of gold recovery from Blackdome tailings completed by Innovat Ltd.
- 2010 – Estimate of Blackdome tailings resource completed by Micon International Ltd.
- 2010 – Multi-year permit granted for 12,500-metre surface diamond drill program.
- 2010 – Preliminary assessment study of the Blackdome Gold Mine and the Elizabeth Gold Property completed by Micon International Ltd.

The Blackdome Gold Mine ("Blackdome") is a permitted mine and milling facility located in southwestern British Columbia, approximately 230 kilometres north of Vancouver and 100 kilometres south of Williams Lake. The 20,664.8-hectare property, which consists of two mining leases (988.33 hectares), 51 mineral claims (19,507.3 hectares) and 10 Crown grants (169.19 hectares) – is situated west of the Fraser River, near the summit of Blackdome Mountain, in the Camelsfoot Mountain Range between 1,760 and 2,050 metres in elevation.

Access to the mine is from the town of Clinton or the city of Williams Lake, via the village of Dog Creek and west across the Churn Creek Bridge. The Blackdome Gold Mine has excellent infrastructure, with road access to all underground portals. A well-maintained camp on the property accommodates exploration crews.

The Blackdome South mineral claims, staked in 2002, constitute in excess of 8,600 hectares contiguous to the southern boundary of the Blackdome Gold Mine claims and are included in the totals above.

Overview

Since acquiring the mine in 1995, Sona Resources Corp. (then Claimstaker Resources) has carried out geotechnical surveys, exploration drilling and small-scale mining. The Blackdome Gold Mine is 100 percent owned by No. 75 Corporate Ventures Ltd., a wholly owned subsidiary of Sona Resources Corp. There are no underlying royalties.

The main Blackdome property has a modern, well-maintained flotation and gravity mill with a current design capacity of 200 tonnes per day. The project's tailings impoundment permits are in good standing.

Blackdome has several well-documented exploration targets within the areas of underground development, as well as some distance away. In 2001, the Company commissioned SRK Consulting (Canada) Inc. ("SRK") to complete a geological model, review the historical resource estimate, and conduct a preliminary exploration risk assessment of Blackdome.

The SRK resource estimate review concluded that the Blackdome Gold Mine has a historical resource estimate of 124,120 tonnes averaging 12.8g Au/t and 33.7g Ag/t, for an in situ total of 50,834 ounces of gold and 134,386 ounces of silver.

SRK also reported that Blackdome has significant potential for hosting entirely new economic ore bodies. On this basis, the Company contracted Roscoe Postle & Associates Inc. ("RPA") to digitize the data for the historical workings, drill holes, and exploration and mining results. (The technology to compile and view this data in digital format was not available during the peak of mining activity at Blackdome, during the 1980s.)

In the fall of 2009, the Company commissioned Innovat Ltd. of Burlington, Ontario, to undertake a preliminary assessment of gold recovery from the existing tailings from past operations at the Blackdome mill. Innovat was also asked to determine whether new tailings from the recovery process could be dry stacked near the old tailings pond. Metallurgical testing conducted by SGS Lakefield Research indicates that 92.3 percent of the residual gold contained within the tailings pond from Blackdome can be recovered by cyanidation.

In May 2010, the Company received a new NI 43-101 compliant inferred resource estimate for the Blackdome tailings impoundment of 298,389 tonnes of tailings, grading 1.47g Au/t and containing 14,145 ounces of gold at a cut-off grade of 0.5g Au/t. The resource estimate and the NI 43-101 report were prepared by Geoquest Consulting Ltd. and Micon International Ltd. (news release dated May 5, 2010).

The Company commissioned SRK to review and update the Blackdome resource estimate to CIMM standards as per National Instrument 43-101. In May 2010, SRK estimated that the Blackdome Mine contained a mineral resource of 144,500 tonnes indicated resource grading 11.29g Au/t and 50.01g Ag/t, for contained metal of 52,600 ounces of gold and 232,300 ounces of silver; and 90,600 tonnes of inferred resource grading 8.79g Au/t and 18.81g Ag/t, for contained metal of 25,900 ounces of gold and 54,400 ounces of silver (news release dated May 4, 2010). ***The reader is cautioned that mineral resources are not mineral reserves and do not have demonstrated economic viability.***

In 2010, the Company received approval to conduct a 12,500-metre surface diamond drill program on the Blackdome property to evaluate additional targets in an effort to increase mineral resources.

Also in May 2010, Micon International Ltd. completed a preliminary assessment of the Blackdome Gold Mine and the Elizabeth Gold Property to evaluate potential underground mining operations at both sites. Having incorporated this new information, the Micon study determined a suitable mining tonnage rate and grade, and capital and operating costs for mining, ore transportation, milling, smelting, refining and site infrastructure, to a level of accuracy appropriate for a preliminary assessment.

History

In the early 1930s, placer gold mining in the Fraser River Canyon at such locations as Big Bar, Crow's Bar, French Bar and High Bar led to a placer gold discovery on Poison Mountain. This resulted in a staking rush that saw a large area claimed, including most of the creeks near Blackdome Mountain. Considerable sluicing was done on Fairless Creek, which drains the western slope of Blackdome Mountain.

After an extended period of exploration, Blackdome Mining Ltd. brought the outlined gold deposit into production in 1986. The proven and probable reserves totalled 119,557 tonnes grading 20.9g Au/t and 124.6g Ag/t. The initial production rate of 140 tonnes per day was eventually increased to 200 tonnes per day.

The mine was closed down in January 1991. During its five years of operation, 225,000 ounces of gold and 547,000 ounces of silver were recovered from 338,000 tonnes of ore.

After the Company purchased the asset in 1995, initial exploration drilling was completed adjacent to the existing workings, and a decision was made to bring the mine back into production. Between November 1998 and May 1999, the mine produced 6,547 ounces of gold and 17,300 ounces of silver from 21,286 tonnes of ore. Ninety percent of

Blackdome's total historical gold and silver production came from the No. 1 and No. 2 veins over a strike length of approximately one kilometre, at an elevation between 1,870 and 1,990 metres above sea level. The mine was closed in May 1999 due to the prevailing low price of gold.

Exploration program to date

The Company continued to build a land base around the Blackdome Gold Mine, with the acquisition of new ground at Blackdome South and the Elizabeth Gold Property, and resumed exploration activities designed to expand the current inferred resource, with intentions to complete a pre-feasibility study.

In March 2002, the Company completed a drilling and gold analysis program of the tailings facility at the Blackdome Gold Mine. Geoquest Consulting Ltd. of Vernon, British Columbia, carried out the work; 51 holes were completed, and 266 samples were taken. ALS Chemex of North Vancouver carried out the assay work. The samples over the tailings pond test area returned an estimated average grade of approximately 1.89g Au/t, and the Company estimates that the facility holds in excess of 300,000 tonnes of tailings.

During 2002, the Company commissioned extensive geological reconnaissance and data compilation covering much of the Blackdome South area. This work verified a geological setting similar to that of the Blackdome Gold Mine, and identified one area of immediate interest based on previous geological mapping and geochemical sampling.

During 2003, the Company progressed with mapping and sampling within the area of interest on the Blackdome South claims identified in 2002. The mapping succeeded in identifying a major north-northwesterly trending fault, which may be a feeder structure for mineralization from depth.

In addition, the location of the Hungry Valley Fault, a major terrane-bounding suture, was defined. A total of 503 soil geochemical samples were collected, which identified two areas with anomalous concentrations of copper, mercury and barium. These areas are associated with known structures identified by the geological mapping.

In 2005, RPA compiled the geological information into computer databases and used this to construct 3-D solid models of the vein systems. Based on the RPA observations, 4,200 metres of drilling was planned for 2006 and 2007; the actual drill program totalled 23 holes for 4,632 metres. Drilling concluded with the following objectives accomplished:

The No. 1 and No. 2 vein intersection at depth did not return any assays over 1.0g Au/t. No further fieldwork is currently recommended on this target. However, the results are under evaluation to determine their potential contribution to understanding depositional controls of the gold mineralization.

On the No. 17 Vein, the width of alteration and stock work veining increased in the southernmost hole.

Beneath the Blackdome Mountain basalt cap, all holes reached the No. 17 Vein, and at least two intersected what is believed to be the continuation of the No. 1 and No. 2 veins as they curve into the No. 17 Vein. Drilling under the basalt cap at the peak of Blackdome revealed that the No. 17 Vein continues through the peak and down the western side of the mountain, parallel to the Giant and Redbird veins. An intersection west of the basalt cap in the northernmost hole drilled in 2006 intersected this vein, but lack of additional data prevented its association with the No. 17 Vein. This shows that the No. 17 Vein does not become either the No. 1 or the No. 2 Vein, but rather the through-going structure against which the No. 1 and No. 2 veins end, forming a prospective intersection zone beneath the basalt cap. The known strike length of the No. 17 Vein now approaches that of the Giant Vein, approximately 1,000 metres.

Surface mapping of a possible Giant Vein extension located a vein-breccia structure in an outcrop approximately 800 metres southwest of the surface workings on the Giant Vein. This outcrop is at approximately the 1,860-metre level and is believed to be an extension of the Giant Vein. The vein and breccia are about 0.5 metres wide. Unlike the Giant Vein on the ridge, which dips steeply, this outcrop indicates the vein is dipping 55 degrees to the northwest. This suggests a transition in the vein orientation similar to those of the productive No. 1 and No. 2 veins.

The Company has not undertaken any field exploration work on the Blackdome property since the latest diamond drill program of 2007. There is good potential to increase resources on the property, particularly on the Giant Vein.

Future plans

Surface drilling of the Giant Vein extension is planned, to cover the area from the existing workings to the southwest, in an effort to increase potential mill feed. The Company is focused on developing sufficient resources from both the former-producing Blackdome Mine and the Elizabeth Deposit to bring the Blackdome mill back into production.

Blackdome is contiguous with the Elizabeth Gold Property, and the two projects complement the economics of the mill at Blackdome. The Company intends to continue developing the resource estimate for Blackdome by pursuing surface and underground work and completing a haulage road that will link the Elizabeth and Blackdome projects.

Blackdome-Elizabeth Preliminary Economic Assessment

In May 2010, the Company received the Preliminary Economic Assessment evaluation from Micon International Ltd. of mining the known mineral resources at the Blackdome Gold Mine and the Elizabeth Gold Property and processing them at the former-producing Blackdome mill.

In summary, the economic review contemplates underground mining at Blackdome and Elizabeth with a 200 tonne per day mill throughput over an eight-year mine life, to recover 183,600 ounces of gold and 62,500 ounces of silver. Operating cash costs are projected to average \$686 per ounce or \$208 per tonne milled over the life of the project. Pre-production capital costs at Blackdome and Elizabeth are estimated at \$11.4 million and \$9.4 million, respectively, with a combined sustaining capital of \$9.45 million. The pre-tax cash flow is estimated to be a positive \$27 million and the after-tax cash flow \$20 million.

The Preliminary Economic Assessment is preliminary in nature. It includes inferred mineral resources considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the preliminary assessment will be realized.

The Preliminary Economic Assessment is based predominantly on inferred resources, and the assumptions for the assessment are presented further in the news release dated May 18, 2010, and in the technical report filed on SEDAR.

Highlights of the Preliminary Assessment (base case using US\$950 per ounce gold price) are provided below:

- Estimated recovery of indicated resources of 48,673 tonnes, grading 12.9g Au/t and 46.1g Ag/t (total 13.5g Au/t equivalent) for the Blackdome deposit, with mine recovery of 95 percent and dilution of eight percent.
- Estimated recovery of inferred resources of 23,478 tonnes, grading 13.3g Au/t and 16.0g Ag/t (total 13.5g Au/t equivalent) for the Blackdome deposit with mine recovery of 95 percent and dilution of eight percent.
- Estimated recovery of inferred resources of 526,089 tonnes grading 10.19g Au/t for the Elizabeth deposit, with mine recovery of 100 percent and dilution of 10 percent.
- A target production rate of 200 dry metric tonnes per day, or 73,000 dry metric tonnes per year, to match previous Blackdome mill production levels, which will help simplify the permitting process.
- A mine life of some eight years for the combined Elizabeth and Blackdome project, with mining beginning at the Blackdome deposit and subsequently at the Elizabeth deposit. All run of mine ore will be processed at the refurbished Blackdome processing plant.
- Total recovery of 94.5 percent gold and 77.6 percent silver from Blackdome ore, and 92.5 percent gold from Elizabeth ore. The processing plant will recover gold and silver from both Elizabeth and Blackdome using gravity separation and flotation, producing dore and concentrate.
- Average annual gold production of approximately 23,505 ounces.
- Average life of mine cash operating costs of \$686 per ounce.
- At US\$950 per ounce of gold, US\$15 per ounce of silver, and a 1.08 Canadian to US dollar exchange rate, pre-tax net present value (NPV) of \$11,459,000 at a 10 percent discount rate, generating an internal rate of return (IRR) of 31 percent.
- Estimated start-up capital costs at Blackdome and Elizabeth of \$11.4 million and \$9.4 million, respectively, with a combined sustaining capital of \$9.45 million for the following six years.

A number of possible enhancements to the base case Preliminary Assessment are not included in the base case but are being evaluated, including: 1) mining the tailings resource to recover the gold; 2) recovering the gold from the sulphide concentrate on site by the use of cyanide, then pouring dore bars on site rather than sending the concentrate to a smelter; and 3) doubling the size of the mill, subject to additional resources being outlined on the Elizabeth property. Additional details of the Preliminary Economic Assessment can be obtained from the Company news release dated May 18, 2010, which was filed on SEDAR.

Elizabeth Gold Property – Lillooet Mining Division, British Columbia

Project milestones

- 2008 – Large-scale \$5-million surface and underground exploration program successfully permitted.
- 2009 – Inferred resource estimate received from SRK of 206,100 ounces of gold at a grade of 12.3g Au/t.
- 2010 – Preliminary assessment study of the Blackdome Gold Mine and the Elizabeth Gold Property completed by Micon International Ltd.
- 2010 – Twenty-five-hole, 3,779-metre surface diamond drill program completed.
- 2010 – Seven-kilometre access road upgraded.
- 2010 – Established new 25-man camp on site.
- 2010 – Signed four-year option with SXDLP of Canoe Creek Indian Band.

The Elizabeth Gold Property is a high-grade advanced gold project located in southwestern British Columbia, in the Lillooet Mining District, approximately 200 kilometres north of Vancouver, 30 kilometres northeast of the historical mining town of Bralorne, and 30 kilometres south of the Blackdome Gold Mine. The 11,528.4-hectare property – consisting of four Crown grants (72.0 hectares), 23 mineral claims (9,627.4 hectares) and one optioned claim (1,829.04 hectares) – is situated along a tributary of the Yalakom River in steep, glaciated terrain between 2,100 and 2,500 metres in elevation. Access to the property is from the town of Lillooet, approximately 75 kilometres up the Yalakom River forest service road. The property has good infrastructure, with several roads accessing the old mine workings and the areas proposed for exploration. A well-maintained camp on the property accommodates exploration crews.

Since acquiring the property in 2002 and up to 2007, the Company conducted four diamond drill programs totalling 8,983 metres. In June 2009, the Company reported an initial inferred resource estimate at the Elizabeth Gold Property of 522,900 tonnes, grading an average of 12.3g Au/t and using a cut-off grade of 5.0g Au/t, for a total of 206,100 ounces of gold (news release dated June 8, 2009). SRK Consulting (Canada) Inc. prepared the resource estimate. ***The reader is cautioned that mineral resources are not mineral reserves and do not have demonstrated economic viability.***

In February 2010, the Company announced that recent metallurgical testing, conducted by G&T Metallurgical Services Limited of Kamloops, British Columbia, of mineralized drill core samples from the Elizabeth Gold Property confirmed that 93 percent of the gold from these samples can be recovered. The study demonstrates that the Elizabeth ore can be processed through the existing milling circuit at the nearby Blackdome Gold Mine, which the Company also owns. The Company plans to transport the ore produced from the Elizabeth deposit by road for processing through the gravity and flotation mill at Blackdome. Additional testing has indicated that with a cyanide leach of the flotation concentrate, about 90 percent of the total gold in the circuit can be recovered. If the necessary equipment to do so were added at the Blackdome mill, dore bars could be poured on site rather than shipping the flotation concentrate to a smelter, as was done previously, and incurring the transportation costs and smelter charges. The 55 to 60 percent of the gold that traditionally reported to the gravity circuit in the Blackdome mill would continue to be recovered on site as dore bars. In mid-2010, Micon International Ltd. completed a preliminary assessment of the Blackdome Gold Mine and the Elizabeth Gold Property, to evaluate potential underground mining operations at both sites. Any eventual production from the Elizabeth Gold Property will be transported by road for processing at the Blackdome Gold Mine gravity and flotation mill.

In late 2010, the Company completed a 25-hole, 3,779-metre drill program, predominantly infilling and expanding on the Southwest Vein, with three of the holes targeting the No. 9 Vein.

The camp infrastructure was significantly improved with an upgrade of the seven-kilometre access road, now completed, and installation of a new 25-man dormitory and kitchen/dining facility.

Overview

The original Elizabeth claims, which consist of four Crown-granted mineral claims, were optioned from Mr. David White and Mr. Tom Illidge Jr. in May 2002. Meanwhile, four surrounding claims, known as the Blue Claims, were optioned from Mr. Tom Illidge, and the Company subsequently enlarged the project by staking an additional 23 mineral claims. In the spring of 2005, all of the claims were converted to the new B.C. Mineral Titles Online system.

Given its proximity and upgradeable access to the Company's permitted milling facility at the Blackdome Gold Mine, the Elizabeth Gold Property constitutes a strategic acquisition that strongly complements the Company's existing land position. Following successful underground exploration, the Company believes the Elizabeth Gold Property has good prospects for early production. The high grades identified in several veins, combined with the existing infrastructure, make the Elizabeth Gold Property a promising exploration target that can be rapidly advanced.

History

The Elizabeth claims date back to the 1930s, with the discovery of gold-bearing quartz veins along Blue Creek. In 1939, Mr. William White and Mr. Tom Illidge Sr. staked the Elizabeth No. 1–4 claims to cover the discovery area. Shortly afterwards, Bralorne Gold Mines Ltd. optioned the property and acquired additional claims. Over the next nine years, Bralorne constructed access infrastructure, built a camp and conducted surface and underground exploration. Between 1947 and 1949, 10 horizontal surface and underground diamond drill holes totalling 790 metres were completed, and high-grade gold mineralization was encountered in surface trenches and drill holes. By 1949, Bralorne had completed a 670-metre-long crosscut, from which several drifts were driven along the B and C veins. No assay data for this work has been found, but exploration on the property revealed the presence of at least six veins. On the adjacent Yalakom claim, the No. 9 Vein was also explored.

From 1956 to 1958, Bethlehem Copper drove an adit 180 metres above the Bralorne workings, from which a 95-metre-long drift explored the West (No. 1) Vein. An eight-tonne bulk sample of West Vein material was shipped, yielding 156 grams of gold (19.5g Au/t) and 156 grams of silver (19.5g Ag/t), along with minor lead and zinc. The property remained dormant until 1980, when Prism Resources conducted further sampling and data compilation.

Blackdome Mining Corporation carried out the most recent work on the Elizabeth claims, in 1990. This consisted of road upgrading, surveying, and rehabilitation of the upper and lower portals, along with detailed surface and underground sampling of the West Vein. High-grade gold mineralization was delineated along the West Vein, both on the surface and in the upper adit. A program of diamond drilling was proposed; however, Blackdome did not continue its program, and the property was returned to the vendors.

Exploration program to date

In the fall of 2002, the Company commissioned an extensive mapping, sampling and drilling program on the Elizabeth Gold Property. The work included grid-based geological mapping, the collection of 440 surface and underground rock samples, and the drilling of 16 diamond drill holes totalling 1,642 metres. This work confirmed the presence of high-grade gold values in known quartz veins, demonstrated the continuity of the structures with host veins, and identified several new areas with potential for economic gold mineralization.

The 2003 work included property-wide geological mapping to assess the potential for additional favourable mineralized environments, augmented by expanded stream sediment sampling coverage and the production of detailed topographical maps. During road building in June 2003, several quartz veins were exposed along four road cuts, approximately 400 metres southwest of the area drilled in 2002. Along one road, four separate veins were uncovered over a 55-metre length. The veins range in width from a few centimetres to 2.75 metres. These veins are considered new discoveries, as there is no evidence of previous work in the area.

In 2004, the Company completed an 18-hole, 2,708-metre drill program that returned new discovery results, including 88.47g Au/t over 2.0 metres, 5.33g Au/t over 7.85 metres, 4.53g Au/t over 4.5 metres, and 20.0g Au/t over 1.0 metre. The program tested the continuity and northern extent of the gold mineralization and the host structures, and further defined the gold zones within the structures.

The 19-hole, 2,908-metre 2005 program intersected gold values throughout the Southwest Vein. The drilling extended the northerly trending strike of the Southwest Vein by 240 metres, for a total of approximately 620 metres, and traced it over 286 metres vertically. This substantially increased the known mineralized zone. Some copper mineralization was also intersected, and the program produced notable molybdenum values. The copper and molybdenum intersections returned values in excess of 0.5 percent, indicating the potential for additional porphyry-type targets on the property.

In 2006, the Company completed an aerial photo and digital mapping survey that provided an accurate representation of the local topography, to aid in the planned exploration work.

In 2007, 14 holes were drilled, totalling approximately 1,726 metres. Twelve of the 14 holes successfully reached their targets. The program focused on infill drilling to connect areas of known mineralization in the Southwest Zone, with the goal of developing sufficient new data to support a geological estimate of potential mineral resources. Significant assays included Hole E07-43, which intersected 37.5g Au/t over 11.2 metres (news release dated September 13, 2007). The final 11 holes also returned significant assays, including Hole E07-48, which intersected 12.38g Au/t over 3.24 metres, including a 1.52-metre section grading 20.33g Au/t (news release dated October 16, 2007).

In 2010, the Company began planning a \$5-million underground and surface exploration program at the Elizabeth gold deposit, to improve confidence in the mineral resource and to expand the known resource. A 2,800-metre surface drilling program was planned, and 25 holes were completed, for a total of 3,779 metres. Of the surface drilling program, 22 holes targeted the Southwest Vein, and three targeted the No. 9 Vein. Highlights of the 2010 diamond drill program on the Southwest Vein include 134.9g Au/t over 0.9 metres (E10-52), 12.5g Au/t over 2.5 metres (E10-55), 57.7g Au/t over 0.8 metres (E10-59), 109.5g Au/t over 2.5 metres (E10-67), and 77.9g Au/t over 5.1 metres (E10-69) (news release dated March 30, 2011).

The planned exploration program included extending the existing underground drifting on the West Vein; collaring a new drift on the Southwest Vein; raising on the two veins to define the mineralization in three dimensions; and completing approximately 4,500 metres of underground drilling. Upgrading of the access road to the Elizabeth property has also been completed, and a new 25-man camp has been set up on site. The Southwest Vein portal was established in December 2010, and then the work was shut down for the winter. The underground drifting and diamond drilling is now scheduled to commence in May 2011, due to an unusually harsh winter with heavy snowfall and high winds.

Future plans

Elizabeth is contiguous with the Blackdome Project, and the two projects complement the economics of the mill at Blackdome. The Company intends to continue developing the resource estimate for Elizabeth through surface and underground work. This will include upgrading the access road to better support future development.

The Company has permitted underground exploration work to test the Southwest Vein, the D Vein and the West Vein, including 800 metres of drifting on the veins, seven raises on ore to test continuity, and 4,500 metres of underground diamond drilling. The planned 2011 underground program consists of approximately 400 metres of drifting, principally on the Southwest Vein; two raises totalling approximately 160 metres; and 4,500 metres of underground drilling targeting both the Southwest and West veins. This work will test these veins in areas not accessible by surface drilling, and will provide significantly greater geological data about the vein system than is possible with drilling alone. Surface and underground work on these veins will work toward developing resources. Additional surface work, including a planned 3,000-metre surface diamond drill program, will continue to develop the prospective veins on the property.

Blackdome-Elizabeth Preliminary Economic Assessment

In May 2010, the Company received the Preliminary Economic Assessment evaluation from Micon International Ltd. of mining the known mineral resources at the Blackdome Gold Mine and the Elizabeth Gold Property and processing them at the former-producing Blackdome mill.

See the section entitled “Blackdome-Elizabeth Preliminary Economic Assessment” on page 5 of this MD&A for details of the Preliminary Economic Assessment.

Callaghan Project – Lander County, Nevada

The Callaghan Project is an early-stage exploration property located southeast of Mount Callaghan in Lander County, Nevada, approximately 32 kilometres northeast of Austin, the county seat, and approximately 450 kilometres northeast

of Reno. Numerous gold deposits occur within an 80-kilometre radius of the property, including the Pipeline, Cove/McCoy, Gold Bar, Ruby Hill, Northumberland, and Quito deposits.

Overview

In April 2004, the Company entered into a lease/option agreement with Joe Kizis of Reno for the 10 core claims at Callaghan and subsequently located an additional 59 claims. These claims are all subject to a three percent net smelter return royalty, of which two percent can be purchased. Under the option agreement, the Company pays the annual Bureau of Land Management and county fees and makes annual advance royalty payments to Mr. Kizis.

Since acquiring the project in 2004, the Company has conducted mapping and geochemical sampling and has permitted and bonded the project for a first-stage exploration drill program.

History

The earliest known work on the property is an 18-metre-deep shaft at the Rast Mine. This work was done in the 1930s on cinnabar occurring in Lower Plate rocks. A minor placer gold occurrence 800 metres southeast of the Rast Mine was also prospected in the 1930s. From 1969 to 1998, a series of exploration programs was carried out on and around the property by junior and senior companies. These include Cache Creek Exploration Company, Hanna Mining, Dome Mines, Houston Oil and Minerals, Kerr McGee, FMC Gold Company, Placer Dome, and Kennecott.

Work completed during this period includes trenching, shallow reverse-circulation rotary drilling, soil and biogeochemistry, airborne magnetics, and limited deep reverse-circulation rotary drilling outside the current property limits. A small, poorly defined gold resource has been indicated in the Cottonwood Spring area.

Exploration program to date

The 2003 work at Callaghan focused primarily on identifying drill targets on this large property. The work consisted of data assembly, interpretation and limited mapping. During 2004, the Company digitized historical data and created a geographic information system (GIS) database.

During 2005, the Company commissioned a soil sampling survey using mobile metal ion (MMI) techniques over the area surrounding the Kizis target, to aid in further defining the target; and, with earlier data, provide vectors toward additional drilling targets. The results supported prior data on the Kizis target and indicated an additional target several hundred metres to the north. This northern MMI target is underlain beneath thin cover by the same favourable Lower Plate rocks, including the Roberts Mountains formation.

The review of the extensive prior database and the 2005 MMI soil geochemistry program have provided clearly defined drilling targets with excellent discovery potential, both in a known target area and in one that has not been drilled. The property is essentially drill ready, with several targets currently identified. Several reverse-circulation exploration holes are recommended to be drilled on the property, with most of the holes to focus on the Kizis target.

Property dropped

In January 2011, the Company returned the property to the vendor and signed over all interest in the additional peripheral claims to the vendor.

Montgolfier Project – Montgolfier and Orvilliers Townships, Quebec

The Montgolfier Project is a district-scale gold exploration project located in northwestern Quebec, approximately 85 kilometres west of the mining town of Matagami, and 40 kilometres east of the multimillion-ounce Casa Berardi Mine gold deposit owned and operated by Aurizon Mines Ltd. The 4,826-hectare claim block straddles a 25-kilometre strike length along the Casa Berardi deformation zone, and is underlain by stratigraphy considered similar to that of the Casa Berardi Mine.

Overview

In January 2004, the Company entered into an option to purchase 100 percent of 113 staked claims and 32 map-designated cells, totalling 3,552 hectares in the townships of Montgolfier and Orvilliers, Quebec with Ressources D. Villeneuve Inc. (“RDV”). The Company added 14 staked claims and 67 map-designated cells to the land package under the agreement with RDV, and subsequently dropped 49 claims for a current total of 4,822 hectares. The Company has

assumed ownership of all the claims, as it has fulfilled the terms of the option agreement, including total payments of \$180,000 and the issuance of 50,000 shares (pre-consolidation). RDV retains a two percent net smelter royalty, of which the Company can purchase 1.5 percent for \$1.5 million.

History

Previous exploration on the property was conducted between 1984 and 1991, predominantly by three groups: Boulder Mountain Resources, Teck Exploration/Golden Hope Resources, and Placer Dome/Golden Shield Resources. Government of Quebec assessment file records indicate that approximately 78 holes were drilled between 1985 and 1991 along the property's 30-kilometre strike length, with little exploration having been conducted since. Thirty-three of these holes intersected gold mineralization ranging from 1.0 to 14.8g Au/t over 0.3 to 4.6 metres.

Exploration program to date

The Company contracted Fugro Airborne Surveys to conduct an airborne survey of the Montgolfier Project in March 2005. The high-resolution magnetic and electromagnetic data over the project area, which is covered by thick glacial till, helped to refine the property's structural and geological interpretations, as well as to identify and prioritize drill targets for testing.

Also in 2005, the Company contracted SRK Consulting (Canada) Inc. to digitize historical data and build a GIS model to assist in interpreting the results. SRK identified eight areas representing prime gold exploration targets on the Montgolfier Project.

The Company commenced drilling in January 2007 on the eight priority targets, with 26 core holes totalling 9,710 metres. Twelve holes probed the main Casa Berardi Fault in five separate areas over a strike length of 15 kilometres; eight holes tested faulted banded iron formation within the Taibi Sedimentary Sequence, south of the Casa Berardi Fault; and six holes investigated two major splays of the Casa Berardi Fault, intersecting segmented banded iron formation in the eastern portion of the property.

Significant results from Target Areas 1, 2 and 7 are posted on the Company's website. Of significant interest was Target Area 5: Hole JPN07-17, which intersected 10.42g Au/t over 1.0 metre; and Hole JPN07-21, which intersected 6.44g Au/t over 3.2 metres, including a 1.0-metre section grading 15.53g Au/t. Both drill intercepts are new discoveries at targets generated by the Company, despite this area being previously investigated by Placer Dome Inc. during the late 1980s. The gold mineralization is contained in quartz-carbonate-pyrite veining hosted in sedimentary rock and banded iron formation. Three other holes drilled in Target Area 5 revealed weak gold mineralization associated with minor quartz veining.

During early 2008, the Company completed 9,225 metres of drilling, which followed up on encouraging results from the 2007 program. A more comprehensive list of results is available on the Company's website, with important highlights including: Hole JPN08-28, which intersected 1.88g Au/t over 3.0 metres; Hole JPN08-29, which intersected 3.91g Au/t over 1.0 metre; Hole JPN08-33, which intersected 4.40g Au/t over 1.0 metre; and Hole JPN08-39, which intersected 0.86g Au/t over 8.0 metres. The results from the 2008 drilling program have been compiled and integrated with the project database.

In the western portion of the project, drilling in 2008 on three sections spaced 100 metres apart outlined two corridors of strong quartz-muscovite-pyrite alteration developed south of the Casa Berardi Fault, with discontinuous auriferous zones. Although the 2008 drilling did not successfully replicate the encouraging assay results obtained in 2007, both corridors remain open along strike and at depth, suggesting the presence of a significant gold-related alteration system.

Future plans

In 2011, the Company is continuing to pursue exploration on Montgolfier by way of a joint venture or an option agreement.

John P. Thompson, P.Eng., is President and CEO of Sona Resources Corp., and a member of the Association of Professional Engineers and Geoscientists of the Province of British Columbia, and the Association of Professional Engineers of Ontario. Mr. Thompson is a Qualified Person as defined by National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, and is responsible for the preparation of, and has verified, the technical information in this MD&A.

Selected annual financial information

Selected audited financial data for annual operations of the Company for the years ended December 31, 2010, December 31, 2009, and December 31, 2008, is as follows:

Year ended	December 31, 2010	December 31, 2009	December 31, 2008
Current assets	\$3,109,011	\$1,438,329	\$1,361,421
Property, plant and equipment	\$2,257,949	\$2,173,467	\$2,173,467
Mineral exploration costs	\$9,245,340	\$7,398,728	\$7,853,292
Total assets	\$14,803,717	\$11,276,457	\$11,597,674
Current liabilities	\$190,728	\$192,680	\$20,160
Total revenue	–	–	–
Net loss	\$(1,696,831)	\$(1,166,333)	\$(2,180,502)
Basic loss per share	\$(0.10)	\$(0.08)	\$(0.15)
Weighted average shares	16,453,924	14,401,486	14,203,151

Results of operations

As Sona is in the exploration phase and its properties are in the early stages of exploration, none of the Company's properties are in production. Therefore, mineral exploration expenditures are capitalized and losses incurred as a result of administrative expenses relating to the operation of the Company's business. Consequently, the Company's net income is not a meaningful indicator of its performance or potential. The key performance driver for the Company is the acquisition and development of prospective mineral properties. By acquiring and exploring projects of superior technical merit, the Company increases its chances of finding and developing an economic deposit. At this time, the Company is not anticipating profit from operations. Until the Company is able to realize profits from the production and marketing of commodities from its mineral interests, it will report an annual deficit and will rely on its ability to obtain equity or debt financing to fund ongoing operations.

Additional financing is required for both current and new exploration and promotional initiatives. Due to the inherent nature of the junior mineral exploration industry, the Company will have a continuous need to secure additional funds through the issuance of equity or debt to support its corporate and exploration activities, as well as its share of obligations relating to its mineral properties.

For the year ended December 31, 2010, compared to the year ended December 31, 2009

The net loss for the year ended December 31, 2010, was \$1,696,831, or \$(0.10) per share, as compared to the net loss for the year ended December 31, 2009, of \$1,166,333, or \$(0.08) per share.

Operating expenses for the year ended December 31, 2010, totalled \$1,680,883 (2009 – \$1,173,820), an increase of \$507,063. The increase in operating expenses resulted mainly from the following significant operating expenditures:

- Accounting and legal expenses of \$122,420 (2009 – \$76,323) resulting from professional services rendered by the Company's legal counsel and auditors. The increase in accounting and legal expenses is due to an increase in the use of the Company's legal counsel for its day-to-day operations.
- Office and administration expenses of \$350,530 (2009 – \$104,952). The increase in office and administration expenses is due to the Company incurring more advertising, promotional and marketing costs to attract potential investors, as well as an increase in computer maintenance during the period.
- Professional fees of \$188,653 (2009 – \$34,602). The increase in professional fees is due to the Company hiring an outside consulting firm to complete its quarterly reporting, to maintain its status as a publicly listed entity in accordance with securities regulations.
- Rent expense of \$84,086 (2009 – \$58,026). The increase in rent expense is due to an increase in the monthly rental payments required to be made by the Company for its office space and a new storage unit.
- Stock-based compensation expense of \$103,434 (2009 – \$236,864). The decrease in stock-based compensation expense is due to the fact that a majority of the Company's options that were issued in the prior year have already

vested, resulting in more recognition of the fair value of those options in the statement of loss, comprehensive loss and deficit in the prior year rather than the current year.

- Travel expenditures of \$141,732 (2009 – \$34,674). The increase in travel expenses is a result of the Company incurring more travel costs to assist in its promotion and marketing at various trade conferences. As mentioned above, the Company incurred significant advertising, promotional and marketing costs during the year.
- Wages of \$586,591 (2009 – \$364,112). The increase in wages is a result of the Company paying increased wages to certain employees, and the hiring of new employees during the year.

Other operating costs, excluding amortization and accretion during the year ended December 31, 2010, totalled \$76,479 (2009 – \$238,973), representing 5% (2009 – 20%) of total operating expenses, including bank charges and interest, mineral property maintenance and regulatory fees.

Amortization and accretion for the year ended December 31, 2010, totalled \$26,958 (2009 – \$25,294). The increase in amortization and accretion was mainly due to a change in estimate for the Company's asset retirement obligation, thus increasing the amount of accretion expense recognized during the year.

For the three months ended December 31, 2010, compared to the three months ended December 31, 2009

The net loss for the three months ended December 31, 2010 was \$511,465, or (\$0.03) per share, as compared to the net loss for the three months ended December 31, 2009, of \$550,994, or (\$0.04) per share. Operating expenses for the three months ended December 31, 2010, totalled \$495,527 (2009 – \$550,351), a decrease of \$54,824. The Company also had other expenses of \$15,938 during the three months ended December 31, 2010 (2009 – \$643).

Summary of quarterly results

The following table summarizes selected financial data reported by the Company for the quarter ended December 31, 2010, and the previous seven quarters (all figures in Canadian dollars).

	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Total assets	\$14,803,717	\$11,400,364	\$10,554,174	\$10,887,135	\$11,276,457	\$11,343,052	\$11,263,685	\$11,437,906
Property, plant and equipment	\$2,257,949	\$2,139,152	\$2,173,467	\$2,173,467	\$2,173,467	\$3,436,041	\$3,811,973	\$3,807,970
Mineral exploration	\$9,245,340	\$8,507,252	\$7,722,137	\$7,527,292	\$7,398,728	\$6,133,159	\$6,311,405	\$6,253,351
Shareholders' equity	\$14,379,218	\$11,046,140	\$10,275,798	\$10,656,293	\$10,953,791	\$11,197,941	\$11,098,167	\$11,294,775
Revenues	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Net loss	(\$511,465)	(\$459,888)	(\$397,090)	(\$328,388)	(\$550,994)	(\$255,246)	(\$196,608)	(\$163,485)
Basic loss per share	(\$0.03)	(\$0.03)	(\$0.03)	(\$0.02)	(\$0.04)	(\$0.00)	(\$0.00)	(\$0.00)

Liquidity and capital resources

As of December 31, 2010, the Company had approximately \$2,900,000 in cash and cash equivalents. This amount excludes \$619,850, which was raised subsequent to the year-end via private placements. The Company does not have any cash flow from operations, because it is an exploration stage company and therefore financings have been the sole source of funds in the past few years.

At December 31, 2010, the Company had working capital of \$2,918,283, which together with the completed private placements in January 2011 and March 2011, for gross proceeds of \$619,850, will increase the working capital to \$3,538,133. In the opinion of management, this working capital is sufficient to support the Company's general administrative and corporate operating requirements on an ongoing basis for the following year. However, should the Company wish to continue fieldwork on its exploration projects in 2011, further financing will be required and it will likely need to go to the market to achieve this.

Given the volatility in equity markets, the global uncertainty in economic conditions, cost pressures and results of exploration activities, management constantly reviews its expenditures and exploration programs and the equity markets such that the Company has sufficient liquidity to support its growth strategy.

During the year ended December 31, 2010, the main cash outflows were for operations, which totalled \$1,680,883 and included non-cash expenditures such as stock-based compensation, amortization and accretion. Of this amount, administrative costs were \$1,550,491, stock-based compensation expense was \$103,434, amortization expense was \$7,655, and accretion expense was \$19,303.

Liquidity outlook

The Company's cash position is highly dependent on its ability to raise cash through financings and the expenditures on its exploration programs. Capital expenditures are not expected to have any material impact on liquidity.

Management believes that even with the subsequent financings in January 2011 and March 2011, the Company will need external financings for the following year. As results of exploration programs are determined and other opportunities become available to the Company, management may complete an external financing as required.

The outlook is based on the Company's current financial position and is subject to change if opportunities become available, based on current exploration program results and/or external opportunities.

At present, the Company's operations do not generate cash inflows, and its financial success depends on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors beyond the Company's control.

To finance the Company's future exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales, from the exercise of convertible securities, and from optioning its resource properties. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes that there will be risks involved that may be beyond its control.

Going concern

While these consolidated financial statements have been prepared on the basis that the Company will continue as a going concern – which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future – there are events and conditions that cast significant doubt on the validity of that assumption. The Company has incurred losses since its inception and has an accumulated deficit of \$20,107,201 at December 31, 2010. The Company will need to raise sufficient funds to finance ongoing exploration and administrative expenses. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company's performance (as measured by numerous factors, including the progress and results of its various projects), the state of international debt and equity markets, investor perceptions and expectations, and the global financial and metals markets. If successful, the Company would obtain additional financing through, but not limited to, the issuance of additional equity.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

Exploration stage company

The Company is engaged in the business of acquiring, exploring and developing mineral properties with the expectation of locating economic deposits of minerals. All of the properties are without proven ore deposits, and there is no assurance that the Company's exploration programs will result in such; nor can there be any assurance that economic deposits can be commercially mined. Consequently, the risks and uncertainties and forward-looking information are subject to the following known and unknown risks and uncertainties but are not limited thereto:

- Exploration and development of mining properties is highly speculative in nature and involves a high degree of risk.
- There are many competitors in the business, some of which have greater financial, technical and other resources.
- Mining involves many hazards and risks in the field, such as unexpected rock formations, seismic activity, cave-ins, adverse weather, unstable political conditions and many other factors.
- Timing delays in exploration and development and delays in funding may result in delays and postponement of projects.
- There is no assurance that the Company will be able to obtain all the necessary permits and approvals to conduct its affairs, and no assurance that future tax, environmental or other legislation will not cause additional expenses, delays or postponements.
- The operations are subject to environmental regulation, any breach of which may result in imposition of enforcement actions; environmental hazards presently unknown to the Company may exist on its current properties; and regulations and laws may change over time.
- World prices for metals can be unstable and unpredictable due to changes in economic conditions, and may materially affect the Company's operations.
- The securities markets worldwide have experienced high price and volume volatility.
- The Company depends upon the services of several key individuals whose loss could significantly affect operations.
- Officers and directors of the Company may have potential conflicts of interest with other entities.
- Uncertainties exist as to future development and implementation of new technologies.
- Changes in accounting policies and methods may affect how the Company's financial condition is reported.
- Uncertainties, such as potential breaches of contract (i.e., property agreements), could result in significant loss.

Dividends

Sona has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future, as it intends to use available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of Sona, and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors deems relevant.

Related party transactions

During the year ended December 31, 2010, the Company paid professional fees of \$60,000 (2009 – \$Nil) to a company controlled by an officer of the Company.

The Company leases certain vehicles, machinery and equipment for its camp located on its Elizabeth property from a Company that has a director in common.

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

Nature of the securities

The purchase of the Company's securities involves a high degree of risk and should be only undertaken by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

Proposed transactions

Currently, there are no proposed transactions that are required to be disclosed.

Additional disclosure for venture issuers without significant revenue

Additional disclosure concerning Sona's general and administrative expenses and mineral property costs is provided in the Company's consolidated balance sheet and consolidated statement of loss and deficit, contained in its audited financial statements for the years ended December 31, 2010 and 2009, available on its website at www.sonaresources.com or on its SEDAR page site, accessed through www.sedar.com.

Outstanding share data

Sona's authorized capital is unlimited common shares without par value. As at April 27, 2011, the following common shares, options and share purchase warrants were outstanding:

	No. of shares	Exercise price	Expiry date
Issued and Outstanding Common Shares at April 27, 2011	22,017,631	N/A	N/A
Employee stock options	120,000	\$0.70	March 23, 2013
	255,000	\$0.60	November 16, 2019
	180,000	\$0.60	December 1, 2019
	840,000	\$0.60	December 11, 2019
	780,000	\$1.40	January 19, 2021
Share purchase warrants	226,000	\$0.75	October 13, 2011
	2,228,200	\$0.75 or \$0.90	July 29, 2012
	770,000	\$1.00 or \$1.25	October 15, 2012
	1,311,450	\$1.50	December 22, 2012
	164,750	\$1.50	January 18, 2013
117,000	\$1.50	March 15, 2013	
Agent's and finder's warrants	2,256	\$0.75 or \$0.90	July 29, 2012
	39,692	\$1.00 or \$1.25	October 15, 2012
	209,832	\$1.10	December 22, 2012
	24,560	\$1.10	January 18, 2013
	13,600	\$1.10	March 15, 2013
Fully diluted at April 27, 2011	<u>29,299,971</u>		

Off-balance sheet arrangements

The Company had no off-balance sheet arrangements as at December 31, 2010, or as at the date hereof.

Recent Canadian accounting pronouncements

The accounting policies followed by the Company are set out in note 2 of the audited consolidated financial statements for the year ended December 31, 2010, and have been consistently followed in the preparation of the audited consolidated financial statements, except that the Company has adopted the following Canadian Institute of Chartered Accountants ("CICA") guidelines during the year ended December 31, 2010:

Business combinations, consolidated financial statements and non-controlling interests

The *CICA Handbook* Sections 1582, 1601 and 1602 relating to the acquisition method of accounting, consolidated financial statements and non-controlling interests. These standards apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. The Company has evaluated this new section and has determined that the adoption of these new requirements has not had a material impact on the Company's consolidated financial statements.

Recent Canadian accounting pronouncements that have been issued but are not yet effective, and that may affect the Company's financial reporting, are as follows:

International Financial Reporting Standards

In February 2008, the Accounting Standards Board ("AcSB") announced that publicly accountable enterprises are required to adopt International Financial Reporting Standards ("IFRS") beginning on or before January 1, 2011. The Company will issue its first consolidated financial statements prepared under IFRS for the interim periods ending March 31, 2011, and for the fiscal period ending December 31, 2011. Financial statement numbers for comparison purposes will be restated for presentation purposes.

The transition to IFRS will affect the Company's accounting policies, as noted below, and to a lesser extent its information technology and data systems, internal control over financial reporting and disclosure controls and training requirements.

The Company's transition will include the traditional four phases: scoping and planning, detailed assessment, implementation and review, and post-implementation. The scoping and planning established a project leader and team, obtaining organizational approval, identifying key areas affected, and developing a plan to implement and communicate. Phase 2 involved the identification of key accounting differences between IFRS and Canadian GAAP, a selection of the accounting policies under IFRS, transitional exemptions, quantification of financial statement impact, and preparation of shell financial statements and impact on the business processes. To date, the Company has completed all the items up to transition exemptions, and is working on the remaining items of quantification and preparation of shell financial statements. The Company has determined that there will be minimal impact on its business processes, such as information systems, internal control over financial reporting and disclosure controls and training. Phase 3 includes the implementation of the required changes necessary for IFRS compliance. Final decisions on accounting policies and IFRS 1 exemptions, preparation of the opening balance sheet at January 1, 2010, comparative fiscal 2010 and thereafter, training of personnel, and assessment and monitoring of the effectiveness of internal controls are being conducted throughout 2010. Phase 4 on post-implementation will include sustainable IFRS financial information and processes for fiscal 2011 and beyond.

IFRS 1 – First-time adoption of IFRS

IFRS governs the first-time adoption of IFRS, which allows for certain exemptions from retrospective application.

IFRS 1 allows a company to measure property, plant and equipment at transition to fair value, which exemption can be applied on an asset-by-asset basis.

IFRS 1 allows a company to elect not to apply the provisions of IFRIC 1, Changes in Existing Decommission, Restoration and Similar Liabilities, for changes to those liabilities before the date of transition to IFRS. When the Company applies this exemption, it would determine the reclamation obligation at the transition date, discount those back to the dates when they first arose, and depreciate these amounts forward to the transition date to determine the amount to be included in the depreciated cost of assets.

IFRS 1 allows a first-time adopter of IFRS to apply IFRS 2 to all equity instruments granted before November 7, 2002, or granted after that date but vested before the Company's transition date.

IFRS allows certain other exemptions, but the Company expects these will be immaterial to the its consolidated financial statements.

IFRS and Canadian GAAP differences

An analysis of the Company's differences between IFRS and Canadian GAAP has determined a number of differences, some of which will not result in a material difference to the Company's consolidated financial statements. Other differences may arise over time but have not been determined to be material currently. The differences that could have a potential impact on the Company are as follows:

Reclamation and closure cost obligations

Under IFRS, the Company's obligation for closure and reclamation is based on management's best estimate of such future expenditures, discounted for country-specific risk-free rates. Under Canadian GAAP, the obligation is determined based on the fair value of future estimated expenses, using quoted market prices and discounted using the

Company's current credit-adjusted risk-free rate. The change in accounting policy is not expected to have a material impact on the Company's consolidated financial statements.

Impairment of mining interests

Under IFRS, impairment is a one-step process whereby the carrying amount is compared to the recoverable amount, which is calculated as the estimated discounted future pre-tax cash flows, or fair value less costs to sell. Under Canadian GAAP, there is a two-step process whereby the Company must first compare the net realizable value to the carrying value, and if net realizable value is less than carrying value management must discount the cash flows to calculate impairment. The change in accounting policy is not expected to have a material impact on the Company's consolidated financial statements.

Share based payments (stock-based compensation under Canadian GAAP)

When stock options vest at different periods, under IFRS each grant is treated as an individual grant vest on a straight line basis over each individual vesting period. Under Canadian GAAP, the entire grant of stock options is currently being treated as a pool and will vest on a straight line basis over the vesting period. The Company is currently quantifying the effect of the change in accounting policy on its financial statements.

In addition, under IFRS the Company must make an estimate of stock options forfeited before they vest, whereas under Canadian GAAP the Company can make estimates of forfeiture. The change in accounting policy is not expected to have a material impact on the Company's consolidated financial statements.

Financial instruments

Fair value

The Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities and the asset retirement obligation are classified as other financial liabilities, which are measured at amortized cost.

As of December 31, 2010, the balance carrying amounts of these financial instruments closely approximate their fair value, and the Company held no derivative instruments.

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments. Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from the markets.

The following provides a comparison of carrying value amounts for each classification of financial instruments as at December 31, 2010:

	December 31, 2010	December 31, 2009
Held-for-trading	\$2,924,286	\$1,159,484
Other financial liabilities	\$424,499	\$322,666

During the fiscal year ended December 31, 2009, the Company adopted the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels, according to the relative reliability of the inputs used to estimate fair value. The financial instruments from the above schedule, which are covered by the new hierarchy disclosures, are cash and cash equivalents. These are classified as Level 2: direct or indirect inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates.

Financial risk management

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk, market price risks and currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits its cash and cash equivalents with high credit

quality major Canadian financial institutions as determined by ratings agencies, with original maturities of less than 90 days. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows, to ensure sufficient capital to meet short-term obligations. As of December 31, 2010, the Company had a cash balance of \$2,924,286 (December 31, 2009 – \$1,159,484) to settle current liabilities of \$190,728 (December 31, 2009 – \$192,680).

Market price risks

The only significant market price risk to which the Company is exposed is interest rate risk. The Company's bank account earns interest at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

Currency risk

The majority of the Company's cash and cash equivalents is held in Canada, in Canadian dollars. The Company's significant operations are carried out in Canada. The portion of the Company's cash denominated in US dollars was insignificant, and the sensitivity to gains or losses arising from changes in the Canadian/US dollar exchange rate was minimal.

Sensitivity analysis

At December 31, 2010, the Company's exposure to foreign currency risk was through the following monetary assets denominated in US dollars:

	<u>USD</u>
Cash	\$56,747
Other assets	\$28,834

Based on the above net exposures at December 31, 2010, and assuming that all other variables remain constant, a 10 percent change in value of the US dollar against the Canadian dollar would result in an increase/decrease of \$8,558 in the net loss for the year.

Management of capital

The Company considers its capital to consist of its shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, to support exploration and development of its mineral properties. The Board of Directors has not established quantitative capital structure criteria management, but will regularly review the Company's capital structure to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital; to provide an adequate return to shareholders by maintaining a sufficient level of funds; to support continued evaluation and maintenance at the Company's existing properties; and to acquire, explore, and develop other precious and base metal deposits.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing risk and the loss of principal.
- To obtain the necessary financing to complete exploration and development of its properties, if and when this is required.

The properties in which the Company currently holds an interest are in the exploration stage, and the Company depends on external financing to fund its activities. 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.

Management reviews its capital management approach on an ongoing basis and believes that, given the relative size of the Company, this approach is reasonable.

To facilitate the management of capital and the development of its mineral properties, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur additional debt, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest-bearing accounts at high credit quality financial institutions, to maximize liquidity. To maximize its ongoing development efforts, the Company does not pay dividends.

There were no changes in the Company's approach to capital management during the year ended December 31, 2010, compared to the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

Critical accounting estimates

The preparation of the Company's financial statements is in conformity with Canadian generally accepted accounting principles ("GAAP"), and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenditures for the reporting period. Significant areas requiring use of management estimates relate to the assessment of impairment and the useful life of mineral properties, plant and equipment, site restoration costs, valuation of amounts receivable and future income taxes, assumptions used in determining the fair value of non-cash stock-based compensation and amounts recorded as accrued liabilities. Therefore, actual results could differ from these estimates.

The accounting estimates believed to require the most difficult, subjective or complex judgements, and which are the most critical to our reporting of results of operations and financial position, are as follows:

Impairment of long-lived assets

Canadian GAAP requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company is to estimate the future cash flows expected to result from the use of an asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. When cash flows cannot be reasonably estimated prior to the completion of the property evaluation, the Company considers other conditions for impairment write-down. These conditions include unfavourable exploration results and significant unfavourable economic, legal, regulatory, environmental, political and other factors. Whenever events or changes in circumstances indicate that the carrying amount of a mineral property in the exploration stage may be impaired, the capitalized costs are written down to the estimated recoverable amount.

Management has conducted the impairment testing required under Canadian GAAP for each period included in its consolidated financial statements for the years ended December 31, 2010 and 2009. Management estimated future cash flows in its review using data from third-party reports on the Company's gold reserves, realizable gold prices, and estimated costs of production utilizing the Company's property, plant and equipment. The cash flows resulted in a range of estimated recoverable amounts that were all in excess of the carrying amounts of the Company's mineral exploration costs and property, plant and equipment. Based on this information, management concluded that these long-lived assets were not impaired.

Site restoration costs

Upon the completion of any mining activities, the Company will customarily be required to undertake environmental reclamation activities in accordance with local and/or industry standards. It is reasonably possible that the ultimate cost of remediation and reclamation could change in the future, due to uncertainties associated with defining the nature and extent of environmental contamination, the application of laws and regulations by regulatory authorities, and changes in remediation technology. The Company continually reviews its site restoration accrual, as evidence becomes available indicating that its remediation and reclamation liabilities may have changed. Any such increases in costs could materially impact the future amounts charged to operations for reclamation and remediation obligations.

Stock-based compensation expense

From time to time, the Company may grant share purchase options to directors, employees and service providers. The Company uses the Black-Scholes option pricing model to estimate a value for these options. This model, and others used to value options, requires inputs such as expected volatility, expected life to exercise, and discount rates. Although not requiring any cash outlay by the Company, changes to any of these inputs could cause a significant change in the stock-based compensation expense charged in a given period.

Income taxes

The Company uses the asset and liability method, which takes into account the differences between financial statement treatment and tax treatment of certain transactions, assets and liabilities. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Valuation allowances are established to reduce future tax assets when potential exists that some or all of the assets will not be realized. Estimates of future taxable income and the continuation of ongoing prudent tax planning arrangements have been considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions and clarifications of uncertain tax regimes may require changes to the valuation allowances associated with the Company's future tax assets.

Recent developments and outlook

The Company expects to obtain financing in the future, primarily through further equity financing, as well as through joint venturing and/or optioning out its properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operations, and eventually to forfeit or sell its interest in its resource properties.

Subsequent events

- a) On January 18, 2011, the Company completed a partially brokered private placement of 329,500 units at a price of \$1.10 per unit, for total gross proceeds of \$362,450. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of two years, at an exercise price of \$1.50 per share.

In connection with this private placement, the Company paid cash finder's fees of \$27,016 and issued 22,560 in agent's warrants and 2,000 in finder's warrants. The agent's and finder's warrants are exercisable into one common share of the Company for a period of two years, at an exercise price of \$1.10 per share.

- b) On January 19, 2011, the Company granted 780,000 incentive stock options to certain directors, officers, employees and consultants. The options are exercisable for a period of ten years from the date of grant, at \$1.40 per share.
- c) On March 31, 2011, the Company completed a non-brokered private placement of 234,000 units at a price of \$1.10 per unit, for total gross proceeds of \$257,400. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of two years, at an exercise price of \$1.50 per share.

In connection with this private placement, the Company paid cash finder's fees of \$14,960 and issued 13,600 in finder's warrants. The finder's warrants are exercisable into one common share of the Company for a period of two years, at an exercise price of \$1.10 per share.

- d) Subsequent to the year-end, the Company entered into a lease agreement for some vehicles, equipment and machinery for its camp located on its Elizabeth property. The monthly lease payments are \$5,992, and the lease term is 24 months.
- e) Subsequent to the year-end, Mr. Michael Williams was appointed to the Company's Board of Directors. Mr. Williams is currently the president of Full Metal Minerals, and a director and an adviser to several mining exploration companies, including serving as chairman of Underworld Resources, Minaurum Gold and Revolution Resources. In March 2010, Kinross Gold Corporation acquired Underworld Resources for \$138 million after an initial resource estimate of over one million ounces of gold. Mr. Williams has established relationships with retail and institutional investors as well as an extensive investment banking network.

Corporate governance

The Board of Directors of Sona consists of seven directors, five of whom are considered independent.

Forward-looking statements

Certain statements made and information contained in this MD&A and elsewhere constitute “forward-looking information” within the meaning of the Ontario Securities Act. Forward-looking statements are subject to various risks and uncertainties that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the interpretation of drill results and the estimation of mineral resources; the geology, grade and continuity of mineral deposits; the possibility that future exploration and development results will not be consistent with the Company’s expectations; accidents; equipment breakdowns; title matters and surface access; labour disputes; the potential for delays in exploration activities; the potential for unexpected costs and expenses; commodity price fluctuations; currency fluctuations; failure to obtain adequate financing on a timely basis; and other risks and uncertainties. In addition, forward-looking information is based on various assumptions including, without limitation, the expectations and beliefs of management; the assumed long-term price of gold; that the Company will receive required permits and access to surface rights; that the Company can access financing, appropriate equipment and sufficient labour; and that the political environment within Canada and the various provinces will continue to support the development of environmentally safe mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Approval

The Board of Directors of Sona Resources Corp. has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional information

Additional information relating to Sona Resources Corp. can be obtained on the SEDAR website at www.sedar.com or by contacting:

Sona Resources Corp.
Attention: John P. Thompson, President and Chief Executive Officer
Suite 802–1166 Alberni Street
Vancouver, BC CANADA V6E 3Z3
Tel: (604) 684-6677
Fax: (604) 684-6678
Website: www.sonaresources.com
Email: ir@sonaresources.com

SONA RESOURCES CORP.
/s/ “John P. Thompson”
John P. Thompson
President and Chief Executive Officer

SONA RESOURCES CORP.
/s/ “Wayne Cahill”
Wayne Cahill
Chief Financial Officer

SONA RESOURCES CORP.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(Stated in Canadian Funds Unless Noted Otherwise)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sona Resources Corp. (formerly J-Pacific Gold Inc.)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sona Resources Corp., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of loss and comprehensive loss, cash flows, and shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Sona Resources Corp. as at December 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.

Emphasis of matter – going concern

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada

April 27, 2011

"Morgan & Company"

Chartered Accountants

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MEMBER OF


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SONA RESOURCES CORP.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

Consolidated Balance Sheets

(Stated in Canadian Funds Unless Noted Otherwise)

ASSETS	As at December 31, 2010	As at December 31, 2009
Current		
Cash and cash equivalents	\$ 2,924,286	\$ 1,159,484
Sales tax receivable	83,635	26,623
Investment tax credits recoverable (Note 3)	71,118	252,222
Prepaid expenses	29,972	-
	3,109,011	1,438,329
Exploration Advances	-	62,000
Mineral Exploration Costs (Note 4)	9,245,340	7,398,728
Property, Plant And Equipment (Note 5)	2,257,949	2,173,467
Other Assets (Note 6)	161,178	172,758
Office Facilities And Equipment (Note 7)	30,239	31,175
	\$ 14,803,717	\$ 11,276,457
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 190,728	\$ 192,680
Asset Retirement Obligation (Note 8)	233,771	129,986
	424,499	322,666
SHAREHOLDERS' EQUITY		
Share Capital (Note 9a)	30,885,702	26,055,784
Contributed Surplus (Note 9e)	3,600,717	3,308,377
Deficit	(20,107,201)	(18,410,370)
	14,379,218	10,953,791
	\$ 14,803,717	\$ 11,276,457

Nature of Operations and Going Concern (Note 1)

Commitments (Notes 9f and 11)

Subsequent Events (Note 16)

Approved on behalf of the Board of Directors:

“Nick Ferris”

Director

“D’Arcy Adam”

Director

- See Accompanying Notes to the Consolidated Financial Statements -

SONA RESOURCES CORP.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

(Stated in Canadian Funds Unless Noted Otherwise)

	For the year ended December 31, 2010	For the year ended December 31, 2009
Expenses		
Accounting and legal	\$ 122,420	\$ 76,323
Accretion	19,303	10,732
Amortization	7,655	14,562
Bank charges and interest	4,500	1,558
Mineral property maintenance	36,666	205,569
Office and administration	350,530	104,952
Professional fees (Note 14)	188,653	34,602
Regulatory fees	35,313	31,846
Rent	84,086	58,026
Stock-based compensation (Note 9c)	103,434	236,864
Travel	141,732	34,674
Wages	586,591	364,112
Loss before the undernoted	(1,680,883)	(1,173,820)
Other Income (Expenses)		
Interest income (expense)	(3,850)	47,345
Foreign exchange loss	(2,098)	(10,558)
Write-down of other assets	(10,000)	(29,300)
	(15,948)	7,487
Net Loss and Comprehensive Loss for the Year	(1,696,831)	(1,166,333)
Basic and Diluted Loss per Share	\$ (0.10)	\$ (0.08)
Weighted Average Number of Shares Outstanding	16,453,924	14,401,486

- See Accompanying Notes to the Consolidated Financial Statements -

SONA RESOURCES CORP.

(formerly J-Pacific Gold Inc.)

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(Stated in Canadian Funds Unless Noted Otherwise)

	For the year ended December 31, 2010	For the year ended December 31, 2009
Cash Flows from Operating Activities		
Net loss for the year	\$ (1,696,831)	\$ (1,166,333)
Items not affected by cash:		
Accretion and amortization	26,958	25,294
Write-down of other assets	10,000	29,300
Stock-based compensation	103,434	236,864
	(1,556,439)	(874,875)
Changes in non-cash working capital:		
Drilling deposits receivable	-	200,000
Sales taxes receivable	(57,012)	(18,248)
Prepaid expenses	(29,972)	5,785
Accounts payable and accrued liabilities	(21,894)	144,439
	(1,665,317)	(542,899)
Cash Flows from Investing Activities		
Mineral exploration costs and exploration advances	(1,774,670)	(439,281)
Investment tax credits received	181,104	1,331,404
Other assets – reclamation deposits	11,580	(6,448)
Purchase of office facilities and equipment, net	(6,719)	(2,553)
	(1,588,705)	883,122
Cash Flows from Financing Activities		
Issuance of share capital and share purchase warrants, net	5,018,824	425,000
Net Increase in Cash and Cash Equivalents	1,764,802	765,223
Cash and Cash Equivalents- Beginning of the Year	1,159,484	394,261
Cash and Cash Equivalents - End of the Year	\$ 2,924,286	\$ 1,159,484
Income Taxes Paid	\$ -	\$ -
Interest Paid	\$ -	\$ 10,502
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Accounts payable and accrued liabilities included in mineral exploration costs	\$ 48,743	\$ 28,081

- See Accompanying Notes to the Consolidated Financial Statements -

SONA RESOURCES CORP.
(formerly J-Pacific Gold Inc.)
(An Exploration Stage Company)
Consolidated Statements of Shareholders' Equity
(Stated in Canadian Funds Unless Noted Otherwise)

	SHARE CAPITAL		CONTRIBUTED			TOTAL
	SHARES	AMOUNT	SURPLUS	DEFICIT		SHAREHOLDERS' EQUITY
Balance – December 31, 2008	14,207,339	\$ 25,630,784	\$ 3,071,513	\$ (17,244,037)	\$	11,458,260
Private placement	850,000	425,000	–	–		425,000
Agent units	56,000	28,000	–	–		28,000
Share issuance costs	–	(28,000)	–	–		(28,000)
Stock-based compensation	–	–	236,864	–		236,864
Net loss for the year	–	–	–	(1,166,333)		(1,166,333)
Balance – December 31, 2009	15,113,339	26,055,784	3,308,377	(18,410,370)		10,953,791
Private placements	5,621,100	4,931,300	188,906	–		5,120,206
Finder's units	39,692	25,800	–	–		25,800
Share issuance costs	–	(535,182)	–	–		(535,182)
Warrants exercised	680,000	408,000	–	–		408,000
Stock-based compensation	–	–	103,434	–		103,434
Net loss for the year	–	–	–	(1,696,831)		(1,696,831)
Balance – December 31, 2010	21,454,131	\$ 30,885,702	\$ 3,600,717	\$ (20,107,201)	\$	14,379,218

- See Accompanying Notes to the Consolidated Financial Statements -

Sona Resources Corp.
(formerly J-Pacific Gold Inc.)
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended December 31, 2010 and 2009
(Stated in Canadian Funds Unless Noted Otherwise)

1 NATURE OF OPERATIONS AND GOING CONCERN

Sona Resources Corp. (the “Company” or “Sona”) is listed on the TSX Venture Exchange (“TSX.V”) under the symbol “SYS” and on the Frankfurt Stock Exchange under the symbol “QS7”. During the year ended December 31, 2010, the Company changed its name from J-Pacific Gold Inc. to Sona Resources Corp. and consolidated its share capital, stock options and warrants on a five-to-one basis. These statements reflect the share consolidation.

Sona is an exploration stage enterprise focusing on the acquisition, exploration and development of economic gold and other precious and base metal properties. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for resource properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to make scheduled payments under each of its property agreements, the development of these properties and future profitable production or proceeds from the disposition of mineral properties.

While these consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, there are events and conditions that cast significant doubt on the validity of that assumption. The Company has incurred losses since inception and has an accumulated deficit of \$20,107,201 at December 31, 2010. The Company will need to raise sufficient funds in order to finance ongoing exploration and administrative expenses. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company’s performance, the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. If successful, the Company would obtain additional financing through, but not limited to, the issuance of additional equity.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting and Consolidation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) as prescribed by the Canadian Institute of Chartered Accountants (“CICA”). These consolidated financial statements include the accounts of Sona Resources Corp. (formerly J-Pacific Gold Inc.) and its direct and indirect subsidiaries, Golden Trend Resources Inc. (a Nevada corporation), Auric Resources Inc., (a Nevada corporation) and No. 75 Corporate Ventures Inc., (a British Columbia corporation). All inter-company transactions are eliminated upon consolidation.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant estimates and assumptions where management’s judgment is applied include those related to the capitalization of costs related to the mineral exploration costs, property, plant and equipment, and the determination of impairment of long-lived assets; the establishment of accounts payable and accrued liabilities estimates to account for the abandonment of long-lived assets and dispute resolutions; valuation of related party transactions; variables in the use of the Black-Scholes option pricing valuation model to record the fair value ascribed to equity instruments; and the valuation allowance for future income tax assets. Actual results may differ from these estimates.

(c) Variable Interest Entities

The CICA issued Accounting Guideline 15, “Consolidation of Variable Interest Entities”, to provide accounting guidance related to variable interest entities (“VIE”). A VIE is an entity in which equity investors do not have the characteristics of a “controlling financial interest” or there is not sufficient equity at risk for the entity to finance its activities without additional financial support. When a VIE is determined to exist, the guidance requires the VIE to be consolidated by the primary beneficiary. The Company has determined that it does not have a primary beneficiary interest in a VIE.

Sona Resources Corp.
(formerly J-Pacific Gold Inc.)
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended December 31, 2010 and 2009
(Stated in Canadian Funds Unless Noted Otherwise)

2 **SIGNIFICANT ACCOUNTING POLICIES – Continued**

(d) Measurement Uncertainty

Management's capitalization of mineral exploration costs and property, plant and equipment and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated gold and commodity prices, and procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral exploration costs and property, plant and equipment.

(e) Foreign Currency Translation

The Company's reporting and functional currency is the Canadian dollar. Transactions denominated in other currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date.

The Company follows the temporal method of accounting for the translation of the financial position and results of its integrated foreign subsidiaries. Under this method, the Company's subsidiaries are translated as follows:

- Monetary assets and liabilities at the exchange rate in effect at the balance sheet date;
- Non-monetary assets, liabilities and equity at historical exchange rates;
- Revenue and expense items at the rate of exchange prevailing at the transaction date, except for amortization which is recorded at historical exchange rates.
- Gains and losses on translation are included in the consolidated statements of loss and comprehensive loss.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated at cost plus accrued interest, which approximates their fair value.

(g) Investment Tax Credits

The Company is entitled to refundable Canadian provincial government investment tax credits of approximately 20% to 50% on qualified mining exploration expenditures in the provinces of British Columbia and Quebec. Investment tax credits are accrued when the Company has made the qualifying expenditures and when there is reasonable assurance that the credits will be realized. The assistance is accounted for using the accrual basis cost reduction approach whereby the amounts determined to be received or receivable each year are reasonably estimated and are applied to reduce the cost of the related assets, deferred expenditures or expenses.

(h) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The cost of the property includes acquisition and betterment costs including directly attributable overhead costs incurred prior to the removal of assets from service. Amortization and depletion of property, plant and equipment costs will be provided using the unit-of-production method based on estimated proven and probable ore reserves upon commencement of production.

Recorded costs of property, plant and equipment are not intended to reflect present or future values of resource properties. Capitalized costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, a change in future conditions could require a material change in the recorded amounts.

Sona Resources Corp.
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For the years ended December 31, 2010 and 2009
(Stated in Canadian Funds Unless Noted Otherwise)

2 SIGNIFICANT ACCOUNTING POLICIES - Continued

(i) Mineral Exploration Costs

The Company capitalizes exploration costs directly related to specific mineral properties until such time as the extent of mineralization has been determined and the mineral properties are either sold, developed or the Company's mineral rights are allowed to lapse. Capitalized costs are amortized over the useful life of the ore body following commencement of commercial production or written off if the property is sold or abandoned.

Acquisition costs include initial vendor payments, staking costs at the date of acquisition, subsequent property staking, and lease and royalty payments required to maintain ownership title. Options and royalties are exercisable entirely at the discretion of the optionee, and accordingly, the related amounts are recorded only upon payment or receipt. Option income receipts on subcontracted properties reduce capitalized exploration costs and amounts in excess of capitalized costs are recorded as income. Investigative exploration costs are expensed as incurred.

(j) Office Facilities and Equipment

Office facilities and equipment are recorded at cost. Amortization is provided using the straight-line method over the estimated useful lives of the equipment and office facilities at rates ranging from two to ten years.

(k) Asset Retirement Obligations

The Company recognizes asset retirement obligations for legal obligations relating to the retirement of property, plant and equipment, and arising from the acquisition, construction, development, or normal operations of those assets. Such asset retirement costs are initially recognized at fair value, when a reasonable estimate of fair value can be made, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. Any liability is subject to accretion over time for increases in the fair value of the liability.

(l) Impairment of Long-Lived Assets

Management reviews and evaluates the carrying value of its mineral properties and property, plant and equipment for impairment when events or changes in circumstances indicate that the carrying amount of the related asset may not be recoverable. If the total estimated future operating cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and assets are written down to fair value which is normally determined using the discounted value of future cash flows. Where estimates of future cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired, it is written down to its estimated fair value.

(m) Equity Instruments

Stock options and other equity instruments issued as purchase consideration in non-monetary transactions other than as consideration for mineral properties are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of warrants issued is estimated on the date of grant. The fair value of common shares issued is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method.

(n) Share Issuance Costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Indirect share issuance costs such as legal and printing costs are charged to operations. Direct share issuance costs incurred in advance of share subscriptions are recorded as deferred financing costs. If the related share subscriptions are not completed, the deferred costs are charged to operations.

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Notes to the Consolidated Financial Statements
For the years ended December 31, 2010 and 2009
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2 SIGNIFICANT ACCOUNTING POLICIES - Continued

(o) Stock-based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of options is charged to operations immediately or on the basis of the vesting period, which may be determined by the Board of Directors, with the offsetting credit to contributed surplus. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(p) Basic Loss per Share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. Under this method, the weighted average number of common shares used to calculate the dilutive effect on earnings assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

(q) Flow-through Shares

The Company follows the recommendations of the CICA Emerging Issues Committee relating to flow-through shares. Under the terms of Canadian flow-through legislation, the tax attributes of qualifying expenditures are renounced to subscribers. To recognize the foregone tax benefits, share capital is reduced and a future income tax liability is recognized as the related expenditures are renounced. To the extent available, this future income tax liability is then reduced by the recognition of previously unrecorded future income tax assets on unused tax losses and deductions.

(r) Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, the change in the net future tax asset or liability is included in income. The income tax effects of temporary differences between the time when income and expenses are recognized in accordance with Company accounting practices and the time they are recognized for income tax purposes are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using statutory enacted tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the year in which the change is enacted or substantively enacted. A valuation allowance is established, as needed, to reduce the future income tax asset to the amount that is more likely than not expected to be realized.

(s) Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855 requires that all financial instruments are classified as one of the following: held-to-maturity investments, loans and receivables, available-for-sale, held-for-trading or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading are measured at amortized cost, using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits the designation of any financial instruments as held-for-trading upon initial recognition.

All derivative instruments, including certain embedded derivatives that are required to be separated from their host contracts, are recorded on the balance sheet at fair value and mark-to-market adjustments on these instruments are included in net income. The Company has no derivative instruments.

The following is a summary of the accounting model the Company elected to apply to each of its significant categories of financial instruments:

Cash and cash equivalents	Held-for-trading
Accounts payable and accrued liabilities	Other financial liabilities
Asset retirement obligation	Other financial liabilities

Sona Resources Corp.
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Notes to the Consolidated Financial Statements
For the years ended December 31, 2010 and 2009
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2 SIGNIFICANT ACCOUNTING POLICIES - Continued

(s) Financial Instruments – Recognition and Measurement - Continued

Transaction costs incurred to acquire or issue financial instruments are included in the initial carrying amount of the relevant financial instrument.

(t) Financial Instruments – Disclosures, Section 3862

In June 2009, CICA Handbook Section 3862 was further amended to include disclosures about fair value measurements of financial instruments and to enhance liquidity risk disclosure. The additional fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising of three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company has adopted these amendments in the prior fiscal year ended December 31, 2009 and the additional required disclosures are included in Note 13.

Adoption of New Canadian Accounting Pronouncements

The Company has adopted the following CICA guidelines during the year:

(u) Business Combinations, Consolidated Financial Statements and Non-controlling Interests

The CICA issued Handbook Sections 1582, 1601 and 1602 relating to the acquisition method of accounting, consolidated financial statements and non-controlling interests. These standards apply prospectively to business combinations from January 1, 2011 onwards. The Company has adopted these new sections and has determined that the adoption of these new requirements has not had a material impact on the Company's consolidated financial statements.

(v) International Financial Reporting Standards (“IFRS”)

Canada's Accounting Standards Board ratified a plan that will result in Canadian GAAP being converged with International Financial Reporting Standards (“IFRS”) by 2011. Management has performed a preliminary analysis and highlighted areas where it's current Canadian accounting practices differ from IFRS and has concluded that the impact on the Company's consolidated financial statements will not be material.

3 INVESTMENT TAX CREDITS RECOVERABLE

The Company is entitled to apply for certain refundable tax credits in respect to qualifying mining exploration expenses incurred in the provinces of British Columbia and Quebec. At December 31, 2010, there was reasonable assurance that the Company was entitled to approximately \$71,118 (December 31, 2009 - \$252,222) of refundable tax credits for eligible exploration expenditures incurred in the provinces of BC and Quebec.

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4 MINERAL EXPLORATION COSTS

Cumulative costs incurred by the Company for acquisition and exploration of its mineral properties for 2010 are shown below:

December 31, 2010	Elizabeth, Canada	Blackdome, Canada	Montgolfier, Canada	Total
Acquisition Costs				
Balance, beginning of the year	\$ 190,995	\$ 5,450	\$ 260,000	\$ 456,445
Staking and recording	-	31,717	-	31,717
Option / royalty payments	15,000	4,435	-	19,435
Balance, end of the year	205,995	41,602	260,000	507,597
Deferred Exploration Costs				
Incurred during the year:				
Assaying	69,451	52,407	-	121,858
Camp	176,305	2,745	-	179,050
Development	123,778	8,181	-	131,959
Drilling	412,712	-	-	412,712
Trenching	23,384	-	-	23,384
Other	100,563	44,481	-	145,044
Underground	56,710	-	-	56,710
Geology	291,071	139,268	3,227	433,566
Roads	261,196	29,981	-	291,177
Total costs incurred during the year	1,515,170	277,063	3,227	1,795,460
Balance, beginning of the year	2,237,375	1,487,264	3,217,644	6,942,283
Balance, end of the year	3,752,545	1,764,327	3,220,871	8,737,743
Total Mineral Exploration Costs	\$ 3,958,540	\$ 1,805,929	\$ 3,480,871	\$ 9,245,340

Cumulative costs incurred by the Company for acquisition and exploration of its mineral properties for 2009 are shown below:

December 31, 2009	Golden Trend, USA	Callaghan, USA	Elizabeth, Canada	Blackdome, Canada	Montgolfier, Canada	Total
Acquisition Costs						
Balance, beginning of the year	\$ -	\$ -	\$ 175,995	\$ 5,450	\$ 260,000	\$ 441,445
Option / royalty payments	12,834	10,000	15,000	-	-	37,834
Written-off	(12,834)	(10,000)	-	-	-	(22,834)
Balance, end of the year	-	-	190,995	5,450	260,000	456,445
Deferred Exploration Costs						
Incurred during the year:						
Assaying	-	-	12,371	4,539	6,239	23,149
Camp costs and other	-	6,466	7,523	-	2,305	16,294
Geology	-	-	129,369	81,032	29,385	239,786
Roads	-	-	95,322	-	-	95,322
Written-off	-	(6,466)	-	-	-	(6,466)
Cost recoveries	-	-	(275,895)	(400,241)	(156,795)	(832,931)
Total costs incurred during the year	-	-	(31,310)	(314,670)	(118,866)	(464,846)
Balance, beginning of the year	-	-	2,268,685	1,801,934	3,336,510	7,407,129
Balance, end of the year	-	-	2,237,375	1,487,264	3,217,644	6,942,283
Total Mineral Exploration Costs	\$ -	\$ -	\$ 2,428,370	\$ 1,492,714	\$ 3,477,644	\$ 7,398,728

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4 MINERAL EXPLORATION COSTS - Continued

a) Golden Trend

On December 31, 2008, the Company decided to write off its investment in the Golden Trend property due to poor results. The Company terminated its option interest in the Golden Trend project as at August 13, 2009.

b) Callaghan

On April 3, 2002, the Company entered into a ten-year lease agreement with an option to purchase the ten unpatented claims of the Callaghan property in Lander County, Nevada. The lease is renewable for an additional ten-year term. Also in 2002, the Company staked an additional fifty unpatented mining claims, adjacent to the original ten.

At any time following total expenditures on the property of US\$500,000 (incurred - CAD\$138,557), the Company may, by notifying the optionor and paying US\$20,000, exercise its option to purchase 100% of the Callaghan property subject to the Net Smelter Royalty ("NSR") and Advance Minimum Royalty ("AMR") payments detailed below.

The claims are subject to a 3% NSR. The Company has the option to purchase up to 2% of the NSR for US\$1,000,000 per percentage point. As of December 31, 2009, the Company has made AMR payments of US\$120,000 (CAD\$152,000), which shall be deductible from any NSR production royalties due. Future AMR payments are fixed at US\$25,000 per year. The Company negotiated an exception for 2009 whereby the scheduled royalty payment was reduced to US\$10,000 from US\$25,000.

On December 31, 2009, the Company decided to write off its investment in Callaghan due to project delays. Subsequent to the year ended December 31, 2010, the Company terminated its option interest in the Callaghan project.

c) Elizabeth

The Elizabeth Gold Property consists of four Crown-granted claims, the Blue Claim and eighteen additional mineral claims. Collectively, these claims are referred to as the "Elizabeth Project." The property is a mid-stage exploration project, located roughly 35 kilometers northeast of the former gold mining town of Bralorne and 30 kilometers south of the Blackdome Gold Mine.

Crown Grants

On May 23, 2002, the Company entered into an option to purchase the Crown-granted mineral claims known as the "Elizabeth Property" in the Lillooet Mining District of British Columbia, Canada, upon completion of the following:

Pay the optionor:

- (i) \$10,000 at signing (paid).
- (ii) \$5,000 on May 23, 2003 (paid).

Issue to the optionor, subject to TSX Venture approval:

- (i) 10,000 common shares on signing (issued).
- (ii) 10,000 common shares on May 23, 2003 (issued).
- (iii) 10,000 common shares upon the exercise of the option.
- (iv) 10,000 common shares upon the commencement of production.

Incur work commitments on the Elizabeth Property of:

- (i) \$200,000 by December 31, 2003 (incurred).
- (ii) \$150,000 by December 31, 2004 (incurred).
- (iii) \$150,000 by December 31, 2005 (incurred).

The above noted claims are subject to a 4% NSR. The Company has the option to purchase 2% of the NSR for \$1,000,000 per percentage point. Upon commencement of the second anniversary date of this agreement, the Company shall pay Advance Minimum Royalty ("AMR") payments of \$10,000 per year, which shall be deductible from any NSR production royalties due. As of December 31, 2010, the Company had paid \$70,000 in AMR payments. To complete the purchase, the Company must also complete a bankable-quality feasibility study prepared by an independent and registered engineer.

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4 MINERAL EXPLORATION COSTS - Continued

c) Elizabeth - Continued

Blue Claim

On May 23, 2002, the Company entered into an option to purchase a mineral claim known as the Blue Claim in the Lillooet Mining District, British Columbia, Canada, upon completion of the following:

Pay the optionor:

\$2,000 at signing (paid).

Issue to the optionor, subject to TSX Venture approval:

- (i) 4,000 common shares on signing (issued).
- (ii) 6,000 common shares on May 23, 2003 (issued).
- (iii) 10,000 common shares upon the exercise of the option.

Incur work commitments on the Blue Claim Property of:

- (i) \$50,000 by December 31, 2003 (incurred).
- (ii) \$150,000 by December 31, 2004 (incurred).
- (iii) \$150,000 by December 31, 2005 (incurred).
- (iv) \$150,000 by December 31, 2006 (incurred).

The above noted claim is subject to a 3% Net Smelter Royalty ("NSR"). The Company has the option to purchase 2% of the NSR for \$1,000,000 per percentage point. Upon commencement of the first anniversary date of this agreement, the Company shall pay Advance Minimum Royalty ("AMR") payments of \$5,000 per year, which shall be deductible from any NSR production royalties due. At December 31, 2010, the Company had paid \$40,000 in AMR payments. To complete the purchase, the Company must also complete a bankable-quality feasibility study prepared by an independent and registered engineer.

d) Blackdome

The former producing Blackdome gold mine ("Blackdome"), acquired in 1995 (then Claimstaker Resources), is an idle permitted mine and milling facility located in southwestern British Columbia, approximately 230 kilometres north of Vancouver and 100 kilometres south of Williams Lake. The 20,664.8-hectare property, comprising of 2 mining leases (988.33 ha), 51 mineral claims (19,507.3 ha) and 10 crown grants (169.19 ha) is situated west of the Fraser River, near the summit of Blackdome Mountain, in the Camelsfoot Mountain Range between 1,760 and 2,050 metres in elevation. The Blackdome South mineral claims, staked in 2002, constitute in excess of 8,600 hectares contiguous to the southern boundary of the Blackdome gold mine claims and are included in the totals described.

The Blackdome gold mine is 100 percent owned by No. 75 Corporate Ventures Ltd., a wholly owned subsidiary of Sona Resources Corp. There are no underlying royalties.

e) Montgolfier

On February 12, 2004, the Company entered into an option to purchase 100% of the staked claims and map-designated cells in the Townships of Montgolfier and Orvilliers, Quebec, upon completion of the following:

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4 MINERAL EXPLORATION COSTS - Continued

e) Montgolfier - Continued

Pay the optionor

(i) \$220,000 by February 12, 2007 (paid).

Issue to the optionor:

(i) 10,000 common shares upon closing (issued).

The claims are subject to a 2% NSR. The Company has the option to purchase 1.5% of the NSR for \$1,500,000. During the year ended December 31, 2007, the Company paid \$100,000 to secure the property and take advantage of consolidation opportunities between these claims and other claims in the area staked by the Company.

The Company has also staked additional unpatented mining claims, adjacent to the original mining claims and also staked additional map designated cells.

5 PROPERTY, PLANT AND EQUIPMENT

	December 31, 2010	December 31, 2009
Mill	\$ 1,986,362	\$ 1,901,880
Plant and mining equipment	271,587	271,587
	\$ 2,257,949	\$ 2,173,467

No amortization or depletion has been recorded as the property, plant and equipment has not been put in use.

6 OTHER ASSETS

Other assets include a letter of credit for a partial indemnification of the Blackdome mine site restoration costs of \$100,000 (December 31, 2009 – \$100,000) and reclamation deposits paid by the Company of \$61,178 (December 31, 2009 – \$72,758) on the Company's mineral exploration properties.

7 OFFICE FACILITIES AND EQUIPMENT

		December 31, 2010		
		Cost	Accumulated	Net Book Value
Amortization Period		\$	Amortization	\$
		\$	\$	\$
Computer hardware	3 years	85,622	(82,542)	3,080
Software	3 years	30,610	(26,169)	4,441
Leasehold improvements	10 years	17,976	(16,919)	1,057
Office equipment	10 years	57,700	(36,039)	21,661
		191,908	(161,669)	30,239
December 31, 2009				
		Cost	Accumulated	Net Book Value
Amortization Period		\$	Amortization	\$
		\$	\$	\$
Computer hardware	3 years	83,286	(79,231)	4,055
Software	3 years	26,226	(25,076)	1,150
Leasehold improvements	10 years	17,976	(16,756)	1,220
Office equipment	10 years	57,700	(32,950)	24,750
		185,188	(154,013)	31,175

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8 ASSET RETIREMENT OBLIGATION

The Company has recognized a liability related to the property, plant and equipment and has determined that no significant asset retirement liabilities exist in connection with the exploration activities on its other mineral exploration properties.

The Company has calculated the fair value of the asset retirement obligation using a discount rate of 9%. The estimated total future undiscounted cash flows to settle the asset retirement obligations at December 31, 2010 are \$400,000 (December 31, 2009 - \$200,000). Since no abandonment plans are being considered and the property, plant and equipment is at a developmental and feasibility stage, the Company has estimated that the payments will be made in 2021.

	Year Ended December 31, 2010	Year Ended December 31, 2009
Balance, beginning of the year	\$ 129,986	\$ 119,254
Accretion expense	19,303	10,732
Revision in estimated cash flows on existing obligations	84,482	-
Balance, end of the year	\$ 233,771	\$ 129,986

9 SHAREHOLDERS' EQUITY

a) Share Capital

Authorized:

- Unlimited number of common voting shares without par value
- Unlimited number of preferred shares (none issued)

During the year ended December 31, 2010, the Company consolidated its share capital on a five old shares for one new share basis. All share and per share amounts have been retroactively restated to reflect the share consolidation.

b) Private Placements

Fiscal Year Ended December 31, 2010

Private Placement – July 2010

On July 29, 2010, the Company completed a non-brokered private placement and issued 2,228,200 post share consolidation units at \$0.55 per unit for total gross proceeds of \$1,225,510. Each unit consists of one common share and one common share purchase warrant with each warrant entitling the holder to purchase one additional common share for a period of two years at an exercise price of \$0.75 per share in the first year and \$0.90 per share in the second year.

In connection with this private placement the Company paid a cash finder's fee of \$1,241 and issued 2,256 in finder's warrants (fair value - \$602). The assumptions used to fair value the finder's warrants were a risk-free rate of 1.51%, expected volatility of 125%, expected life of two years and a dividend yield of 0%. The finder's warrants are exercisable into one common share of the Company for a period of two years at an exercise price of \$0.75 per share in the first year and \$0.90 per share in the second year.

Private Placement – October 2010

On October 15, 2010, the Company completed a non-brokered private placement and issued 770,000 post share consolidation units at \$0.65 per unit for total gross proceeds of \$500,500. Each unit consists of one common share and one common share purchase warrant with each warrant entitling the holder to purchase one additional common share for a period of two years at an exercise price of \$1.00 per share in the first year and \$1.25 per share in the second year.

In connection with this private placement the Company issued 39,692 in finder's units (fair value - \$25,800). The finder's units have the same terms as the units issued pursuant to the private placement.

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9 SHAREHOLDERS' EQUITY - Continued

b) Private Placements - Continued

Private Placement – December 2010

On December 22, 2010, the Company completed a partially brokered private placement and issued 2,134,000 post share consolidation flow-through units at \$1.25 per flow-through unit and 488,900 post share consolidation units at \$1.10 per unit for total gross proceeds of \$3,205,290. Each flow-through unit consists of one flow-through common share and one-half of one common share purchase warrant. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of two years at an exercise price of \$1.50 per share.

In connection with this private placement, the Company paid cash finder's fees of \$256,423 and issued 193,832 in agent's warrants and 16,000 in finder's warrants (fair value - \$188,304). The assumptions used to fair value the finder's warrants were a risk-free rate of 1.68%, expected volatility of 115%, expected life of two years and a dividend yield of 0%. The agent's and finder's warrants are exercisable into one common share of the Company for a period of two years at an exercise price of \$1.10 per share.

Fiscal Year Ended December 31, 2009

Private Placement – October 2009

During the year ended December 31, 2009, the Company issued 850,000 post share consolidation units for proceeds of \$425,000. Each unit consists of one common share and one common share purchase warrant with each warrant entitling the holder to purchase one common share for a period of two years at an exercise price of \$0.60 per share in the first year and \$0.75 per share in the second year.

In connection with this private placement the Company paid finders' fees through the issuance of 56,000 post consolidated units at \$0.50 per unit. Each unit consists of one common share and one common share purchase warrant with each warrant entitling the holder to purchase one common share for a period of two years at an exercise price of \$0.60 per share in the first year and \$0.75 per share in the second year.

c) Stock Options

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and certain consultants. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares at any point in time. The term of the options must be no longer than ten years and the directors determine the vesting period.

Fiscal Year Ended December 31, 2010 - Grants

On March 23, 2010, the Company granted 120,000 incentive stock options. These options are subject to vesting restrictions whereby 25% shall vest three months from the date of grant and 25% every three months thereafter. The options are exercisable at \$0.70 per share and will expire on March 23, 2013. The weighted average fair value of the stock options granted during the year was \$0.70. The corresponding stock-based compensation expense amounts to \$78,950 which was estimated using the Black-Scholes option pricing model with the following assumptions:

Assumptions	
Risk-free interest rate	1.69% to 1.97%
Expected stock price volatility	96% to 111%
Expected dividend yield	0.00%
Expected life of options	2 years to 2.75 years

As a result of vesting, \$59,099 was recorded during the year ended December 31, 2010 and the remainder will be recorded in the subsequent fiscal year. During the year ended December 31, 2010, 220,000 incentive stock options were cancelled without exercise.

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9 SHAREHOLDERS' EQUITY - Continued

c) Stock Options - Continued

Fiscal Year Ended December 31, 2009 - Grants

During the fiscal year ended December 31, 2009, the Company granted 385,000 incentive stock options. These options are subject to vesting restrictions whereby 50,000 of the 385,000 incentive stock options shall vest accordingly: 25% six months from the date of grant and 12.5% every three months thereafter; 135,000 of the 385,000 incentive stock options shall vest accordingly: 25% three months from the date of grant and 12.5% every three months thereafter; and 200,000 of the 385,000 incentive stock options have no vesting restrictions. The options are exercisable at \$0.60 per share and will expire on the following dates: November 16, 2019 and December 1, 2019. The weighted average fair value of the options granted during the year was \$0.48. The corresponding stock-based compensation expense amounts to \$186,600 which was estimated using the Black-Scholes option pricing model with the following assumptions:

Assumptions	
Risk-free interest rate	1.00% to 1.28%
Expected stock price volatility	49% to 68%
Expected dividend yield	0.00%
Expected life of options	8.75 years to 10 years

As a result of vesting, \$112,994 was recorded during the year ended December 31, 2009, \$44,335 was recorded during the year ended December 31, 2010 and the remainder will be recorded in the subsequent fiscal year.

During the fiscal year ended December 31, 2009, 1,025,000 options were cancelled and re-granted at a lower price resulting in stock-based compensation expense, using the Black-Scholes option-pricing model, of \$123,870.

The following table summarizes historical information about the Company's incentive stock options:

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Number of Options	Weighted Avg. Exercise Price	Number of Options	Weighted Avg. Exercise Price
Options outstanding – Beginning of the year	1,495,000	\$ 0.72	1,230,000	\$ 2.10
Granted	120,000	\$ 0.70	385,000	\$ 0.68
Cancelled	(220,000)	\$ 1.40	(1,025,000)	\$ 1.97
Re-granted	-	-	1,025,000	\$ 0.60
Expired	-	-	(120,000)	\$ 3.08
Options outstanding – end of the year	1,395,000	\$ 0.61	1,495,000	\$ 0.72

At December 31, 2010, the following options were outstanding:

Exercise Price	Expiry Date	Options Outstanding	Weighted Avg. Remaining in Years	Options Exercisable
\$ 0.70	March 23, 2013	120,000	2.23	90,000
\$ 0.60	November 16, 2019	255,000	8.88	255,000
\$ 0.60	December 1, 2019	180,000	8.92	106,250
\$ 0.60	December 11, 2019	840,000	8.95	840,000
\$ 0.61		1,395,000	8.36	1,291,250

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9 SHAREHOLDERS' EQUITY - Continued

d) Share Purchase Warrants

Details of issued and outstanding warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance - December 31, 2008	1,055,000	\$2.75
Share purchase warrants issued during the year	850,000	\$0.60
Agent's warrants issued during the year	56,000	\$0.60
Expired during the year	(1,055,000)	\$2.75
Balance - December 31, 2009	906,000	\$0.60
Share purchase warrants issued during the year	4,309,650	\$1.15
Agent's and finder's warrants issued during the year	251,780	\$1.12
Exercised during the year	(680,000)	\$0.60
Balance - December 31, 2010	4,787,430	\$1.13

At December 31, 2010, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants	Warrant Valuation
October 13, 2011 (Note 9b)	\$0.75	226,000	\$ Nil
July 29, 2012 (Note 9b)	\$0.75 or \$0.90	2,230,456	\$ 602
October 15, 2012 (Note 9b)	\$1.00 or \$1.25	809,692	\$ Nil
December 22, 2012 (Note 9b)	\$1.50	1,311,450	\$ Nil
December 22, 2012 (Note 9b)	\$1.10	209,832	\$ 188,304
Weighted Average	\$1.01 or \$1.13	4,787,430	\$ 188,906

e) Contributed Surplus

Contributed surplus relates to the recognition of the estimated fair value of stock options vested as follows:

Balance - December 31, 2008	\$ 3,071,513
Fair value of stock-based compensation on options vested (Note 9c)	236,864
Balance - December 31, 2009	\$ 3,308,377
Fair value of stock-based compensation on options vested (Note 9c)	103,434
Fair value of agent's and finder's warrants (Note 9b)	188,906
Balance - December 31, 2010	\$ 3,600,717

f) Flow-Through Shares

During the year ended December 31, 2010, the Company issued 2,134,000 flow-through common shares for total gross proceeds of \$2,667,500. These funds must be used for qualifying exploration expenditures and will be renounced to the flow-through shareholders effective December 31, 2010. The unspent balance of this flow-through issuance as at December 31, 2010 was \$2,584,845 which must be spent by December 31, 2011.

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10 MANAGEMENT OF CAPITAL

The Company considers its capital to consist of its shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support exploration and development of mineral properties. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal.
- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

The properties in which the Company currently holds an interest in are in the exploration stage and 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.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In order to facilitate the management of capital and development of its mineral properties, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur additional debt, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

There were no changes in the Company's approach to capital management during the year ended December 31, 2010 compared to the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

11 COMMITMENTS

Effective July 1, 2007, the Company entered into an amended lease agreement for office space for a 61 month period expiring August 31, 2012. The Company has also committed to certain operating leases and loan payments for the acquisition of vehicles, machinery and equipment for its camp located on its Elizabeth property. The future minimum lease payments required under these agreements are indicated in the table to the right.

	Office	Vehicles, Equipment & Machinery
2011	\$ 61,974	\$ 110,523
2012	41,316	70,560
	<u>\$ 103,290</u>	<u>\$ 181,083</u>

12 SEGMENTED FINANCIAL INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of mineral properties.

Geographic information is as follows:

	December 31, 2010	December 31, 2009
Mineral exploration costs – Canada	\$ 9,245,340	\$ 7,398,728
Property, plant and equipment – Canada	\$ 2,257,949	\$ 2,173,467
Office facilities and equipment – Canada	\$ 30,239	\$ 31,175

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13 FINANCIAL INSTRUMENTS

Fair Value

The Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts payable and accrued liabilities and the asset retirement obligation are classified as other financial liabilities, which are measured at amortized cost.

As of December 31, 2010, the carrying amounts of these financial instruments closely approximated their fair value, and the Company held no derivative instruments.

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments. Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from the markets.

The following provides a comparison of carrying value amounts of each classification of financial instruments as at December 31, 2010:

		December 31, 2010		December 31, 2009
Held-for-trading	\$	2,924,286	\$	1,159,484
Other financial liabilities	\$	424,499	\$	322,666

During the fiscal year ended December 31, 2009, the Company adopted the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate fair value. The financial instruments from the above schedule, which are covered by the new hierarchy disclosures, are cash and cash equivalents. These are classified as Level 2 – direct or indirect observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates.

Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk, market price risks and currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits its cash and cash equivalents with high credit quality major Canadian financial institutions as determined by ratings agencies, with original maturities of less than 90 days. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As of December 31, 2010, the Company had a cash balance of \$2,924,286 (December 31, 2009 - \$1,159,484) to settle current liabilities of \$190,728 (December 31, 2009 - \$192,680). Further information relating to liquidity risk is disclosed in Note 1.

Market Price Risks

The only significant market price risk to which the Company is exposed to is interest rate risk. The Company's bank account earns interest at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

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13 FINANCIAL INSTRUMENTS - Continued

Currency Risk

The majority of the Company's cash and cash equivalents are held in Canada in Canadian dollars. The Company's significant operations are carried out in Canada. The portion of the Company's cash denominated in United States dollars was insignificant and the sensitivity to gains or losses arising from changes in the Canadian/US dollar exchange rate was minimal.

Sensitivity Analysis

At December 31, 2010, the Company's exposure to foreign currency risk was through the following monetary assets denominated in US dollars:

	<u>USD</u>
Cash	\$ 56,747
Other assets	\$ 28,834

Based on the above net exposures at December 31, 2010, and assuming that all other variables remain constant, a 10% change in value of the US dollar against the Canadian dollar would result in an increase/decrease of \$8,558 in the net loss for the year.

14 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, the Company paid professional fees of \$60,000 (2009 - \$Nil) to a company controlled by an officer of the Company.

The Company leases certain vehicles, machinery and equipment for its camp located on its Elizabeth property from a company which has a director in common.

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

15 INCOME TAXES

- a) The income tax provision for the year differs from the amount obtained by applying the statutory Canadian federal and provincial income tax rates as follows:

	For the Year Ended December 31, 2010	For the Year Ended December 31, 2009
Loss before income taxes	\$ (1,696,831)	\$ (1,166,333)
Statutory Canadian federal and provincial tax rates	28.50%	30.00%
Expected tax recovery	(483,597)	(349,900)
<i>Adjustments:</i>		
Loss of foreign subsidiaries taxed at a lower rate	(2,236)	(2,936)
Permanent differences	32,228	72,351
Statutory tax rate difference	115,861	70,284
Change in valuation allowance	337,744	210,201
Income tax provision	\$ -	\$ -

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15 INCOME TAXES - Continued

- b) The components of the Company's future income tax asset (liability) balances were as follows:

	December 31, 2010	December 31, 2009
Future income tax asset (liability):		
Non-capital loss carry-forwards	\$ 2,171,734	\$ 1,929,541
Capital assets, share issuance costs and other	61,563	(20,269)
United States resources deductions	155,833	142,114
Resource property costs - (tax basis in excess of book value)	187,445	187,445
Valuation allowance	(2,576,575)	(2,238,831)
Future income tax asset (liability)	\$ -	\$ -

The effective income tax rate is the rate that is estimated to be applicable when timing differences reverse. As at December 31, 2010 the future enacted rate is estimated to be 25% (2009 – 25%).

- c) The Company has non-capital losses which may be applied to reduce future years' taxable income. As at December 31, 2010, these non-capital losses amounted to \$8,686,935 (December 31, 2009 – \$7,718,164). Of these non-capital losses, \$595,026 will expire in 2011, \$762,047 will expire in 2015, \$579,158 will expire in 2016, \$2,359,158 will expire in 2027, \$1,004,420 will expire in 2028, \$866,583 will expire in 2029, \$885,961 will expire in 2030 and the remaining \$1,634,582 will expire in 2031.

16 SUBSEQUENT EVENTS

- a) On January 18, 2011, the Company completed a partially brokered private placement of 329,500 units at a price of \$1.10 per unit for total gross proceeds of \$362,450. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of two years at an exercise price of \$1.50 per share.

In connection with this private placement, the Company paid cash finder's fees of \$27,016 and issued 22,560 in agent's warrants and 2,000 in finder's warrants. The agent's and finder's warrants are exercisable into one common share of the Company for a period of two years at an exercise price of \$1.10 per share.

- b) On January 19, 2011, the Company granted 780,000 incentive stock options to certain directors, officers, employees and consultants. The options are exercisable for a period of ten years from the date of grant at \$1.40 per share.
- c) On March 31, 2011, the Company completed a non-brokered private placement of 234,000 units at a price of \$1.10 per unit for total gross proceeds of \$257,400. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of two years at an exercise price of \$1.50 per share.

In connection with this private placement, the Company paid cash finder's fees of \$14,960 and issued 13,600 in finder's warrants. The finder's warrants are exercisable into one common share of the Company for a period of two years at an exercise price of \$1.10 per share.

- d) Subsequent to the year end, the Company entered into a lease agreement for some vehicles, equipment and machinery for its camp located on its Elizabeth property. The monthly lease payments are \$5,992 and the term of the lease is 24 months.
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