

INTERNATIONAL ENEXCO LIMITED

**Consolidated Financial Statements
December 31, 2010 and 2009**

<u>Index</u>	<u>Page</u>
Management's Responsibility for Financial Reporting	1
Auditors' Report to the Shareholders	2
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Deficit and Accumulated Other Comprehensive Income	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 – 25

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of International Enxco Limited are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and is maintaining a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated balance sheets as at December 31, 2010 and 2009 and consolidated statements of operations and comprehensive loss, deficit and accumulated other comprehensive income, and cash flows for the years then ended have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"G.A. Armstrong"

G.A. Armstrong, President

Vancouver, British Columbia
April 6, 2011

"Dan Frederiksen"

Dan Frederiksen, Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF INTERNATIONAL ENEXCO LIMITED

We have audited the accompanying consolidated financial statements of International Enexco Limited, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, deficit and accumulated other comprehensive income, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of International Enexco Limited 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.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia

April 6, 2011

INTERNATIONAL ENEXCO LIMITED
Consolidated Balance Sheets
December 31

	2010	2009
Assets		
Current		
Cash	\$ 3,580,573	\$ 5,597,657
Accounts receivable	9,326	6,185
Prepaid expenses and deposits	8,525	12,763
	3,598,424	5,616,605
Property and Equipment (note 5)	735,961	1,017,392
Reclamation Deposits	211,361	250,248
Mineral Property Interests (note 6)	13,483,709	13,096,321
	\$ 18,029,455	\$ 19,980,566
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 63,195	104,710
Asset retirement obligation (note 6(f)(i))	0	25,000
	63,195	129,710
Shareholders' Equity		
Capital Stock (note 7)	33,952,312	33,952,312
Contributed Surplus (note 7(b))	2,946,236	2,838,286
Deficit	(18,932,288)	(16,939,742)
	17,966,260	19,850,856
	\$ 18,029,455	\$ 19,980,566

Commitment (note 10)

Approved on behalf of the Board:

"G.A. Armstrong"
..... Director
G.A. Armstrong

"D. Frederiksen"
..... Director
D. Frederiksen

INTERNATIONAL ENEXCO LIMITED
Consolidated Statements of Operations
Years Ended December 31

	2010	2009
Expenses		
Salaries and benefits (note 7(c))	\$ 418,977	\$ 404,734
Office and administration (note 9)	215,498	175,575
Property investigation	138,118	59,483
Directors' fees (note 7(c))	118,623	34,719
Professional fees (note 9)	96,226	92,127
Advertising and promotion	74,669	75,266
Management fees (note 9)	60,000	53,000
Insurance	44,477	37,208
Filing fees and shareholder services	23,715	27,203
Automobile	21,960	2,091
Travel	21,676	71,971
Consulting fees	1,430	7,443
Amortization	214,743	33,175
Loss Before Other Items and Income Taxes	(1,450,112)	(1,073,995)
Other Items		
Interest income, net	7,359	144,076
Other income	20,534	0
Foreign exchange loss	(223,651)	(199,968)
Royalty, net	38,046	36,370
Loss on disposal of property and equipment	0	(15,788)
Realized gain on sale of marketable securities	0	9,725
Reclamation recovery (costs) (note 9)	9,891	(13,544)
Flow-through share costs	0	(13,316)
Write-off of mineral property interest	(394,613)	(981,391)
Loss Before Income Taxes	(1,992,546)	(2,107,831)
Income Tax Recovery (note 8)		
Future	0	(96,460)
Current	0	(20,377)
	0	(116,837)
Net Loss for Year	(1,992,546)	(1,990,994)
Transfer to gain on sale of marketable securities	0	(8,500)
Comprehensive Loss for Year	\$ (1,992,546)	\$ (1,999,494)
Basic and Diluted Loss Per Share	\$ (0.09)	\$ (0.09)
Weighted Average Number of Common Shares Outstanding	22,563,077	22,555,351

INTERNATIONAL ENEXCO LIMITED**Consolidated Statements of Deficit and Accumulated Other Comprehensive Income
Years Ended December 31**

	2010	2009
Deficit		
Balance, Beginning of Year	\$ (16,939,742)	\$ (14,948,748)
Net Loss for Year	(1,992,546)	(1,990,994)
Balance, End of Year	\$ (18,932,288)	\$ (16,939,742)
Accumulated Other Comprehensive Income		
Balance, Beginning of Year	\$ 0	\$ 8,500
Transfer to gain on sale of marketable securities	0	(8,500)
Balance, End of Year	\$ 0	\$ 0

INTERNATIONAL ENEXCO LIMITED
Consolidated Statements of Cash Flows
Years Ended December 31

	2010	2009
Operating Activities		
Net loss for year	\$ (1,992,546)	\$ (1,990,994)
Items not involving cash		
Gain on sale of marketable securities	0	(9,725)
Loss on disposal of property and equipment	0	15,788
Write-off of mineral property interest	394,613	981,391
Stock-based compensation	107,950	0
Future income tax recovery	0	(96,460)
Amortization	214,743	33,175
Unrealized loss (gain) on foreign exchange	206,422	(392,708)
	(1,068,818)	(1,459,533)
Changes in non-cash working capital		
Accounts receivable	(3,141)	202,255
Prepaid expenses and deposits	4,238	(665)
Accounts payable and accrued liabilities	(18,292)	(45,512)
Asset retirement obligations	(25,000)	0
Cash Used in Operating Activities	(1,111,013)	(1,303,455)
Investing Activities		
Proceeds from sale of marketable securities	0	11,765
Proceeds from sale of property and equipment	12,519	1,340
Reclamation deposits	38,887	(66,207)
Expenditures on mineral property interests	(738,995)	(4,495,888)
Purchase of property and equipment	(12,060)	(2,022)
Cash Used in Investing Activities	(699,649)	(4,551,012)
Financing Activity		
Shares issued for cash	0	2,500
Foreign Exchange Effect on Cash	(206,422)	392,708
Outflow of Cash	(2,017,084)	(5,459,259)
Cash, Beginning of Year	5,597,657	11,056,916
Cash, End of Year	\$ 3,580,573	\$ 5,597,657
Supplemental Cash Flow Information		
Interest paid	\$ 0	\$ 0
Income taxes received	\$ 0	\$ (20,377)
Expenditures on mineral property interests included in accounts payable	\$ 5,912	\$ 29,135
Amortization included in mineral property interests	\$ 66,229	\$ 382,447

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

1. NATURE OF OPERATIONS AND GOING CONCERN

International Enexco Limited (the "Company") was incorporated under the *Company Act* of British Columbia and is primarily involved in the exploration and development of its mineral properties.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of mineral property interests and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. These financial statements do not include any adjustments for the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and are stated in Canadian dollars, the Company's functional currency.

The consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiary, Enexco International Inc. All intercompany transactions and balances have been eliminated upon consolidation.

(b) Mineral property interests

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include acquisition costs and exploration expenditures, net of recoveries received. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed, the property is sold or the Company's mineral rights are allowed to lapse. All capitalized costs are reviewed quarterly, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of an interest exceeds its net recoverable amount (as estimated by quantifiable evidence of an economic geological resource or reserve or by reference to option or joint venture expenditure commitments) or when, in the Company's assessment, it will be unable to sell the interest for an amount greater than the deferred costs, the interest is written down for the impairment in value.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as property costs or recoveries when the payments are made or received. Recoveries in excess of property costs are reflected in income.

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Mineral property interests (Continued)

Oil and gas interests

The Company follows the successful efforts method of accounting for its petroleum and natural gas interests. Under the successful efforts method, acquisition costs of proved properties are capitalized. Acquisition costs of proved properties are depleted using the unit-of-production method based on proved reserves. Capitalized exploratory drilling costs and development costs are depleted on the basis of proved developed reserves. For purposes of the depletion calculation, production and reserves volumes for petroleum and natural gas are converted to a common unit of measure on the basis of their approximate relative energy content.

The Company records an impairment loss when the carrying amount of a cost centre is not recoverable and exceeds its fair value. The carrying value is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows based on expected prices. Fair value is determined using the expected present value approach. This approach incorporates risk and uncertainties in the expected future cash flows, which are discounted using a risk-free rate of return.

(c) Revenue recognition

The Company recognizes royalty income from oil and gas interests once they are known, as advised by the operators of the properties. The Company recognizes interest income on its cash on an accrual basis at the stated rates over the term to maturity.

(d) Amortization

Amortization of property and equipment is recorded on a declining-balance basis at the following annual rates:

Building	- 5%
Drills	- 30%
Mobile equipment	- 30%
Furniture and equipment	- 20%
Computer equipment	- 45%
Trailer	- 30%
Software	- 100%

Leasehold improvements are amortized on a straight-line basis over five years. Additions during the year are amortized at one-half the annual rates.

(e) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Foreign currency translation (Continued)

- (iii) Revenue and expenses (excluding amortization, which is at the same rate as the related asset), at the rate on the date of transaction.

Gains and losses arising from this translation of foreign currency are included in net loss for the year.

(f) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed 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. The fair value of the options is accrued and charged either to operations or mineral properties, with the offset credit to contributed surplus. For directors and employees the fair value is recognized over the vesting period and for non-employees the fair value is recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

(g) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the rates of amortization for property and equipment, the recoverability of mineral property interests, valuation of asset retirement obligations ("ARO") and accrued liabilities, determining the assumptions used in calculating the fair value of stock-based compensation and the valuation of future income tax assets. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(j) Asset retirement obligations

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion will be charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. The Company has no significant AROs as at December 31, 2010.

(k) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(l) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in operations. Financial assets classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Financial instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition. When a decline in the fair value of an available-for-sale financial asset has been recognized in comprehensive income, and there is objective evidence that the impairment is other than temporary, the cumulative loss that had been previously recognized in accumulated other comprehensive income is removed from accumulated other comprehensive income and recognized in operations. Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate fair values:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(m) Future accounting policies

(i) International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian generally accepted accounting principles will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its March 31, 2011 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended December 31, 2010. The Company is currently evaluating the impact of the conversion on the Company's consolidated financial statements and is considering accounting policy choices available under IFRS.

(ii) Business Combinations

In January 2009, the Canadian Institute of Chartered Accountants issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently.

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

3. FINANCIAL INSTRUMENTS

The Company has classified its cash as held-for-trading; accounts receivable as loans and receivables; and accounts payable as other financial liabilities.

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

In respect of accounts receivable, the Company is not exposed to significant credit risk, as the majority are due from governmental agencies.

The Company manages credit risk, in respect of cash, by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution in accordance with the Company's investment policy. Concentration of credit risk exists with respect to the Company's cash, as amounts are held with a single major Canadian financial institution and a major US financial institution.

The Company's concentration of credit risk and maximum exposure thereto is as follows:

	2010	2009
Bank - Canada	\$ 299,967	\$ 1,095,707
Bank - US	3,280,606	4,501,950
	\$ 3,580,573	\$ 5,597,657

(b) Liquidity risk

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

The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipated investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

As at December 31, 2010, the Company had a cash balance of \$3,580,573 (2009 - \$5,597,657) available to settle current liabilities of \$63,195 (2009 - \$104,710). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

3. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other price risk. The market risk the Company is exposed to are as follows:

(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

During 2010, the Company held some cash in variable interest-bearing savings accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on their cash flow or estimated fair values. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's financial assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk with respect to cash, transactions during the year, exploration expenditures and accounts payable, as a portion of these amounts are denominated in US dollars. The Company does not manage currency risk through hedging or other currency management tools.

As at December 31, 2010 and 2009, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

	2010		2009	
	US \$	\$	US \$	\$
Cash	3,298,417	3,280,606	4,283,491	4,501,950
Accounts payable	(19,489)	(19,384)	(31,529)	(33,137)
Net exposure	3,278,928	3,261,222	4,251,962	4,468,813

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

3. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Foreign currency risk (Continued)

Assuming all other variables remain constant, a 7% (2009 - 17%) weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of approximately \$229,525 (2009 - \$722,834) in the Company's net loss.

4. CAPITAL MANAGEMENT

The Company considers its capital under management to consist of 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 the acquisition and exploration of mineral properties. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

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

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

5. PROPERTY AND EQUIPMENT

	2010		
	Cost	Accumulated Amortization	Net
Building	\$ 47,447	\$ 5,697	\$ 41,750
Drills	840,326	540,963	299,363
Mobile equipment	779,238	513,904	265,334
Furniture and equipment	210,032	101,013	109,019
Computer equipment	40,675	31,782	8,893
Trailer	29,123	23,180	5,943
Software	2,624	1,312	1,312
Leasehold improvements	7,244	2,897	4,347
	\$ 1,956,709	\$ 1,220,748	\$ 735,961

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

5. PROPERTY AND EQUIPMENT (Continued)

	2009		
	Cost	Accumulated Amortization	Net
Building	\$ 47,447	\$ 3,499	\$ 43,948
Drills	840,326	412,665	427,661
Mobile equipment	779,238	400,190	379,048
Furniture and equipment	215,778	74,666	141,112
Computer equipment	37,247	25,909	11,338
Trailer	29,123	20,633	8,490
Software	80,338	80,338	0
Leasehold improvements	7,244	1,449	5,795
	\$ 2,036,741	\$ 1,019,349	\$ 1,017,392

6. MINERAL PROPERTY INTERESTS

	Contact (note 7(a))	Mann Lake (note 7(b))	Hot Pot (note 7(c))	Loomis (note 7(d))	Other (note 7(e))	Total
Balance, December 31, 2009	\$9,570,663	\$1,383,432	\$1,644,023	\$374,437	\$123,766	\$13,096,321
Acquisition costs						
Property acquisition	0	0	20,656	0	0	20,656
	9,570,663	1,383,432	1,664,679	374,437	123,766	13,116,977
Expenditures						
Drilling	99,825	161,695	0	0	0	261,520
Engineering and pre-feasibility study	167,753	0	0	0	0	167,753
Assays and analytical services	7,916	3,254	12,485	0	4,950	28,605
Logging and sample preparation	568	0	0	0	0	568
Exploration personnel	37,662	59,017	6,128	5,878	27,816	136,501
Communication and utilities	908	57	214	0	0	1,179
Supplies	891	636	(2,490)	0	485	(478)
Property tax and maintenance fees	27,301	15	2,394	14,298	11,735	55,743
Other field work	4,965	0	0	0	5,219	10,184
Permits	33,541	0	0	0	0	33,541
Amortization	66,229	0	0	0	0	66,229
Expenditures for the year	447,559	224,674	18,731	20,176	50,205	761,345
Write-offs	0	0	0	(394,613)	0	(394,613)
Balance, December 31, 2010	\$10,018,222	\$1,608,106	\$1,683,410	\$ 0	\$173,971	\$13,483,709

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

6. MINERAL PROPERTY INTERESTS (Continued)

	Contact (note 7(a))	Mann Lake (note 7(b))	Hot Pot (note 7(c))	Loomis (note 7(d))	Other (note 7(e))	Oil and gas interests (notes 7(f))	Boston (note 7(g))	Hannah (note 7(h))	Total
Balance, December 31, 2008	\$7,900,525	\$1,012,214	\$ 0	\$ 0	\$ 377,281	\$ 50,170	\$ 0	\$ 0	\$9,340,190
Acquisition costs									
Property acquisition	37,351	0	22,840	0	0	0	0	28,550	88,741
	7,937,876	1,012,214	22,840	0	377,281	50,170	0	28,550	9,428,931
Expenditures									
Drilling	722,785	245,638	1,346,004	176,432	0	0	681	341,786	2,833,326
Engineering and pre-feasibility study	354,293	0	0	0	0	0	0	0	354,293
Assays and analytical services	96,902	8,729	46,994	73,563	34,113	0	2,557	17,865	280,723
Logging and sample preparation	117,364	0	55,940	2,712	16,228	0	0	31,424	223,668
Exploration personnel	34,985	91,511	35,102	75,581	57,515	0	0	36,286	330,980
Equipment rental	0	6,722	0	0	0	0	0	0	6,722
Communication and utilities	22,266	0	7,394	0	0	0	0	1,471	31,131
Supplies	20,593	179	0	2,488	0	0	0	71	23,331
Property tax and maintenance fees	75,089	0	0	14,547	22,047	0	0	9,487	121,170
Other field work	218	1,150	0	14,634	23,386	0	0	3,074	42,462
Permits	0	0	0	0	0	0	0	1,239	1,239
Geological consulting	0	17,289	0	0	0	0	0	0	17,289
Amortization	188,292	0	129,749	14,480	0	0	0	49,926	382,447
Expenditures for the year	1,632,787	371,218	1,621,183	374,437	153,289	0	3,238	492,629	4,648,781
Write-offs	0	0	0	0	(406,804)	(50,170)	(3,238)	(521,179)	(981,391)
Balance, December 31, 2009	\$9,570,663	\$1,383,432	\$1,644,023	\$374,437	\$123,766	\$ 0	\$ 0	\$ 0	\$13,096,321

(a) Contact Property, Nevada

The Company acquired a 100% interest in the Contact Property located in Elko County, Nevada.

On July 6, 2006, the Company acquired the Red Metal claims, which are contiguous with the Contact Property. As consideration for a 100% interest in the Red Metal claims, the Company issued the Vendor 100,000 common shares at a deemed value of \$1.10 per share, and released the Vendor of all claims by the Company.

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

6. MINERAL PROPERTY INTERESTS (Continued)

(b) Mann Lake, Saskatchewan

The Company has a 30% participating interest in a joint venture with Cameco Corporation ("Cameco") (52.5%) and AREVA (17.5%) to explore the Mann Lake property for uranium. The Company has been involved with the project, which consists of two contiguous mineral claims covering 3,407 hectares located within the southeast portion of the Athabasca Basin in northern Saskatchewan, since 1977. The total amounts and major components related to the Company's interest in the joint venture are as follows:

Current assets	\$	Nil
Long-term assets	\$	1,608,106
Current liabilities	\$	Nil
Long-term liabilities	\$	Nil
Revenue	\$	Nil
Expenses	\$	Nil
Net loss	\$	Nil
Cash flows provided by operating activities	\$	Nil
Cash flows provided by financing activities	\$	Nil
Cash flows used in investing activities	\$	(224,674)

There are no contingencies or commitments in the joint venture as at December 31, 2010.

(c) Hot Pot, Nevada

On June 3, 2009, the Company entered into an option agreement to acquire a 51% interest in six claims and land under a mining lease agreement totaling 2,225 acres, named the Hot Pot Property in Humboldt County, Nevada. The option agreement is for a period of three years and requires the Company to make the following cash payments to the Optionors:

- On or before September 16, 2009 US\$20,000 (paid);
- On or before September 16, 2010 US\$20,000 (paid);
- On or before September 16, 2011 US\$20,000; and
- On or before September 16, 2012 US\$20,000.

Also, the option agreement requires the Company to make the following aggregate expenditures on the property:

- Drilling 1,500 meters during each of the first two years of the option period (completed); and
- Drilling 3,000 meters during the third year of the option period.

At any time within 90 days following the completion of its expenditure obligation, the Company has the option to elect to increase its participating interest in the property by an additional 19% to a total of 70% by agreeing to complete an additional aggregate expenditure on the property of 3,000 meters of drilling.

The property is subject to underlying NSR royalties totaling 4.25%.

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

6. MINERAL PROPERTY INTERESTS (Continued)

(d) Loomis, Nevada

On May 8, 2009, the Company entered into an option agreement with Frontier Development (USA) Inc. to acquire a 51% interest in 92 claims named the Loomis Property in Elko County, Nevada. The option agreement is for a period of three years and requires the Company to make the following aggregate expenditures on the property:

- Drilling 2,000 meters during the first year of the option period and expenditures of US\$100,000;
- Drilling 4,000 meters during the second year of the option period and expenditures of US\$100,000; and
- Drilling 5,000 meters during the third year of the option period and expenditures of US\$100,000.

During the year ended December 31, 2010, the Company decided not to continue with the option agreement; \$394,613 in acquisition and exploration costs were written off.

(e) The Company has staked additional mineral exploration projects in Nevada. The projects are at a grass-roots stage. During the year ended December 31, 2010, the Company incurred \$50,205 (2009 - \$123,766) on these projects.

(f) Oil and gas interests

(i) Chauvin, Alberta

The Company has a 60% interest in five abandoned oil wells in the Chauvin area of Alberta. The capitalized cost of this interest was written off in prior years. The operating partner for the property, View Mont Estates Ltd. ("View Mont"), a related party, has completed the reclamation of four of the five well sites. View Mont has incurred costs since 1994 of \$255,713 in reclamation expense, of which the Company is obliged to pay 60%. View Mont had estimated additional costs of \$41,666 to complete the reclamation of the remaining well, giving the Company an estimated aggregate expense of \$160,428. During the year ended December 31, 2010, the Company determined that there are no expected further obligations.

(ii) Royalty claims

On October 1, 2006, the Company entered into an agreement to acquire a 0.5% overriding royalty interest in wells owned by Baytex Energy Ltd. from Joli Fou Petroleum Ltd. for consideration of \$72,056. There is no conservative estimate of the life of the interest, and as revenues were discontinued during 2009, the investment was written off. The Company owns 2.3% of a 5% overriding royalty interest in wells owned by Baytex Energy Ltd. In addition, the Company has royalty interests in oil and gas wells owned by Talisman Energy Canada Ltd. and Apache Canada Ltd.

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

6. MINERAL PROPERTY INTERESTS (Continued)

(g) Boston Property, Nevada

On March 30, 2008, the Company entered into option agreements to acquire a 100% interest in 11 claims (1 patented claim and 10 unpatented claims). The option agreements require the Company to make the following cash payments to the Optionors:

- On or before April 12, 2008 US\$50,000 (paid);
- On or before March 1, 2009 US\$25,000; and
- On or before March 1, 2010 US\$50,000.

The option agreements also required the Company to incur the following aggregate expenditures on the property:

- On or before September 1, 2009 US\$400,000; and
- On or before March 1, 2010 US\$300,000.

The Optionor retained a 2% net smelter returns ("NSR") royalty on the property.

During 2009, the Company had unsatisfactory results and allowed the option to lapse; the total of \$1,083,759 in acquisition and exploration costs were fully written off in 2008 and 2009.

(h) Hannah, Nevada

On February 13, 2009, the Company entered into an option agreement to acquire a 60% interest in 23 claims. The option agreement is for a period of one year and requires the Company to make the following cash payments to the Optionors:

- On execution of the agreement US\$15,000 (paid);
- Pay the underlying property payments on the property, not to exceed US\$25,000, during the option period; and
- Pay to the U.S. Bureau of Land Management and Churchill County the annual claim maintenance fees for 2009 for the property.

The option agreement also required the Company to make the following aggregate expenditures on the property:

- Drilling 8,000 feet in a minimum of 12 holes on the property.

The property is subject to a NSR royalty in an underlying agreement of 4% for gold price over \$400 per ounce, 3% if under.

During 2009, the Company received unsatisfactory results and chose not to make further cash payments allowing the option to lapse; \$521,179 in acquisition and exploration costs were written off.

(i) Realization of assets

The investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks.

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

6. MINERAL PROPERTY INTERESTS (Continued)

(i) Realization of assets (Continued)

While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

(j) Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(k) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

7. CAPITAL STOCK

(a) Authorized
 Unlimited number of common shares without par value

(b) Issued and outstanding

	Number of Common Shares	Amount	Contributed Surplus
Balance, December 31, 2008	22,553,077	\$ 34,044,172	\$ 2,840,386
Income tax effect on flow-through share renoucement	0	(96,460)	0
Exercise of stock options	10,000	2,500	0
Fair value of stock options exercised	0	2,100	(2,100)
Balance, December 31, 2009	22,563,077	33,952,312	2,838,286
Stock-based compensation	0	0	107,950
Balance, December 31, 2010	22,563,077	\$ 33,952,312	\$ 2,946,236

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

7. CAPITAL STOCK (Continued)

(c) Stock options

The maximum number of common shares issuable under the terms of the Company's stock option plan shall not exceed 10% of the issued and outstanding shares of the Company at the time the stock options are granted, less the number of shares, if any, subject to prior stock options issued. The exercise price of each option is required to be set at the closing price of the Company's common shares on the trading day prior to the date of grant. As at December 31, 2010, the Company has 151,308 stock options available for issuance.

A summary of outstanding stock options as at December 31, 2010 and 2009 and changes during the respective years are as follows:

	2010		2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,600,000	\$ 0.25	1,865,000	\$ 0.27
Exercised	0	\$ 0.00	(10,000)	\$ 0.25
Granted	670,000	\$ 0.26	0	\$ 0.00
Forfeited	(165,000)	\$ 0.25	(15,000)	\$ 0.25
Expired	0	\$ 0.00	(240,000)	\$ 0.40
Outstanding, end of year	2,105,000	\$ 0.25	1,600,000	\$ 0.25

As at December 31, 2010 and 2009, the following stock options were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Options	
		2010	2009
October 30, 2013	\$ 0.25	1,435,000	1,600,000
April 13, 2013	\$ 0.32	75,000	0
July 20, 2015	\$ 0.25	595,000	0
Outstanding and exercisable, end of year		2,105,000	1,600,000
Weighted average remaining contractual life of options		3.30 years	3.82 years

On April 13, 2010, the Company granted 75,000 stock purchase options to an employee. The options are for a term of three years and have an exercise price of \$0.32 per share; as a result, \$12,750 (2009 - \$Nil) stock-based compensation was recognized as an expense.

On July 2, 2010, the Company granted 595,000 stock purchase options to directors and an employee. The options are for a term of five years and have an exercise price of \$0.25 per share; as a result, \$95,200 (2009 - \$Nil) stock-based compensation was recognized as an expense.

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

7. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

The Company applies the fair value method using the Black-Scholes option pricing model to account for options granted to employees, directors and non-employees. The Black-Scholes option pricing model was used to calculate the fair values of options and warrants issued during the year based on the following weighted average assumptions and resulting fair value:

	2010	2009
Expected life (years)	4.78	N/A
Interest rate	2.44%	N/A
Volatility	88.37%	N/A
Dividend yield	Nil	N/A
Grant date fair value	\$ 0.18	N/A

Stock-based compensation has been included in the statements of operations as follows:

	2010	2009
Salaries and benefits	\$ 26,350	\$ 0
Directors' fees	81,600	0
	\$ 107,950	\$ 0

(d) Warrants

A summary of outstanding warrants as at December 31, 2010 and 2009 and changes during the respective years are as follows:

	2010		2009	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	750,000	\$ 0.50	750,000	\$ 0.50
Expired	(750,000)	\$ 0.50	0	\$ 0.00
Outstanding, end of year	0	\$ 0.00	750,000	\$ 0.50

As at December 31, 2010 and 2009, the following warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants	
		2010	2009
November 3, 2010	\$ 0.50	0	750,000
Weighted average remaining life of warrants outstanding		N/A	0.84 years

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

8. INCOME TAXES

The components of future income tax assets after applying enacted corporate rates are as follows:

	2010	2009
Future income tax assets (liabilities)		
Non-capital loss carry-forwards	\$ 1,682,510	\$ 776,341
Tax value over carrying value of equipment	(17,006)	623
Tax value of share issue costs	34,759	72,298
Tax value over carrying value of mineral property interests	452,719	935,276
Tax value over carrying value of non-refundable mining income tax credits	7,005	7,285
	2,159,987	1,791,823
Valuation allowance	(2,159,987)	(1,791,823)
	\$ 0	\$ 0

The valuation allowance reflects the Company's estimate that the tax assets more likely than not will not be realized.

The Company has approximately \$1,208,184 in operating losses that may be carried forward to apply against future years' income for Canadian income tax purposes expiring in 2030.

Available to	Amount
2028	\$ 3,600
2029	559,000
2030	645,584
	\$ 1,208,184

The Company has approximately \$3,965,299 in operating losses that may be carried forward to apply against future years' income for US income tax purposes.

Significant components of the provision for income taxes are as follows:

	2010	2009
Income tax recovery at statutory rates	\$ (567,875)	\$ (632,349)
Non-deductible stock-based compensation	30,766	0
Foreign exchange and other	62,520	223,040
Non-deductible gain on sale of marketable securities for accounting purposes	0	934
Effect of change in tax rate	(36,636)	2,499
Adjustment to mineral property and non-capital loss tax values	193,164	0
Adjustment due to effective rate attributable to income taxes of other countries	(50,103)	25,327
Change in valuation allowance	368,164	263,712
Income taxes expense	\$ 0	\$ (116,837)

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

8. INCOME TAXES (Continued)

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. During the year ended December 31, 2010, the Company issued renunciation certificates totaling \$Nil (2009 - \$371,000) for qualifying Canadian exploration expenditures pursuant to the issuance of flow-through share subscription agreements.

9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010 and 2009, the Company was charged the following expenses by related parties:

	2010	2009
Armada Investments Ltd., a company controlled by a director of the Company		
Office and administration	\$ 39,688	\$ 39,285
Professional fees	\$ 24,000	\$ 17,000
Management fees	\$ 60,000	\$ 53,000
S. Paul Simpson Law Corp, a law firm of which an officer of the Company is an employee: Professional fees	\$ 31,652	0
View Mont Estates Ltd., a company controlled by two directors of the Company (note 6(d))		
Reclamation costs	\$ 9,454	\$ 5,616

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount agreed upon by the transacting parties.

Accounts payable and accrued liabilities and asset retirement obligation are payable to related parties as follows:

	2010	2009
View Mont Estates Ltd., a company controlled by two directors of the Company		
Accounts payable and accrued liabilities	\$ 74	\$ 74
Asset retirement obligation	\$ 0	\$ 25,000

The amount due to the related party has no specific terms of repayment, is unsecured and non-interest-bearing.

10. COMMITMENT

The Company has entered into a services contract for advertising and marketing services expiring in December 2011, with a monthly fee of \$5,000 per month.

INTERNATIONAL ENEXCO LIMITED
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

11. SEGMENTED INFORMATION

The Company operates in one business operating segment, the acquisition and exploration of resource properties. Geographic information is as follows:

	2009	2008
Assets		
Canada	\$ 5,177,046	\$ 6,983,702
United States	12,852,409	12,996,864
	\$ 18,029,455	\$ 19,980,566