

Interim Consolidated Financial Statements of  
**WHITE PINE RESOURCES INC.**

(A Development Stage Company)

For The Three and Six Months Ended

September 30, 2010 and 2009

*(Unaudited)*

**WHITE PINE RESOURCES INC.**

(A Development Stage Company)

**CONSOLIDATED BALANCE SHEETS**

As at	September 30, 2010 <i>(Unaudited)</i>	March 31, 2010 <i>(Audited)</i>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 400,062	\$ 1,034,033
Short-term investment	10,000	10,000
Sundry receivables and prepaid expenses	147,566	265,987
	557,628	1,310,020
<b>Mining Interests (note 4)</b>	<b>4,352,656</b>	<b>4,001,568</b>
<b>Equipment (note 5)</b>	<b>13,477</b>	<b>15,685</b>
	\$ 4,923,761	\$ 5,327,273
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 42,513	\$ 315,360
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock (note 6(a))	31,420,502	31,420,502
Warrants (note 6(b))	1,520,978	3,777,131
Contributed Surplus (note 6(c))	6,632,917	4,749,029
Deficit	(34,693,149)	(34,934,749)
	4,881,248	5,011,913
	\$ 4,923,761	\$ 5,327,273

**Going Concern (note 1)****Subsequent Events (note 10)**

See accompanying notes to financial statements

**WHITE PINE RESOURCES INC.**

(A Development Stage Company)

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

	Three months ended <b>September 30,</b> September 30,		Six months ended <b>September 30,</b> September 30,		Cumulative since inception December 8, 2006
	<b>2010</b>	2009	<b>2010</b>	2009	
<b>Expenses</b>					
General and administrative	\$ 101,849	\$ 121,409	\$ 177,739	\$ 230,717	\$ 1,716,069
Stock-based compensation	-	123,887	-	376,757	3,737,317
Depreciation	1,104	1,585	2,208	3,171	22,821
Write-down of mining interests	17,345	-	30,848	-	19,021,823
	<b>120,298</b>	246,881	<b>210,795</b>	610,645	24,498,030
<b>Other income</b>					
Interest	-	600	-	33,893	357,087
Camp rental revenue	80,130	-	80,130	-	80,130
	<b>80,130</b>	600	<b>80,130</b>	33,893	437,217
<b>Loss before income taxes</b>	<b>(40,168)</b>	(246,281)	<b>(130,665)</b>	(576,752)	(24,060,813)
<b>Future income tax recovery</b>	-	-	<b>372,265</b>	-	2,917,440
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>\$ (40,168)</b>	<b>\$ (246,281)</b>	<b>\$ 241,600</b>	<b>\$ (576,752)</b>	<b>\$ (21,143,373)</b>
<b>Net income (loss) per share:</b>					
<b>Basic and fully diluted</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>	<b>\$ (0.03)</b>	

**Weighted average number of shares outstanding during the period:**

Basic	23,342,659	19,783,964	23,342,659	19,783,964
Fully diluted	23,342,659	19,783,964	31,795,963	19,783,964

Fully diluted weighted average common shares outstanding during the three months ended September 30, 2010 and 2009 and the six months ended September 30, 2009 are not reflective of the outstanding stock options and warrants as their exercise would be anti-dilutive in the loss per share calculation.

See accompanying notes to financial statements

**INTERIM CONSOLIDATED STATEMENTS OF DEFICIT**

(Unaudited)

	Three months ended <b>September 30,</b> September 30,		Six months ended <b>September 30,</b> September 30,		Cumulative since inception December 8, 2006
	<b>2010</b>	2009	<b>2010</b>	2009	
<b>Deficit, beginning of period</b>	<b>\$ (34,652,981)</b>	\$ (32,736,283)	<b>\$ (34,934,749)</b>	\$ (32,405,812)	\$ (12,671,100)
<b>Net income (loss) for the period</b>	<b>(40,168)</b>	(246,281)	<b>241,600</b>	(576,752)	(21,143,373)
<b>Warrant modification</b>	-	-	-	-	(878,676)
<b>Deficit, end of period</b>	<b>\$ (34,693,149)</b>	\$ (32,982,564)	<b>\$ (34,693,149)</b>	\$ (32,982,564)	\$ (34,693,149)

See accompanying notes to financial statements

# WHITE PINE RESOURCES INC.

(A Development Stage Company)

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended September 30, 2010		Six months ended September 30, 2010		Cumulative since inception December 8, 2006
<b>Cash provided by (used in)</b>					
<b>Operations</b>					
Net income (loss) for the period	\$ (40,168)	\$ (246,281)	\$ 241,600	\$ (576,752)	\$ (21,143,373)
Items not involving cash:					
Depreciation	1,104	1,585	2,208	3,171	22,821
Stock-based compensation	-	123,887	-	376,757	3,737,317
Write-down of mining interests	17,345	-	30,848	-	19,021,823
Future income tax recovery	-	-	(372,265)	-	(2,917,440)
Change in non-cash working capital:					
Sundry receivables and prepaid expenses	(23,651)	16,776	118,421	(18,695)	(113,876)
Accounts payable and accrued liabilities	(17,456)	(198,348)	(272,847)	(217,568)	1,788,807
	<b>(62,826)</b>	<b>(302,381)</b>	<b>(252,035)</b>	<b>(433,087)</b>	<b>396,079</b>
<b>Financing</b>					
Issuance of common shares	-	290,000	-	290,000	7,081,466
Issuance of flow-through common shares	-	2,153,750	-	2,153,750	9,336,248
Share issue costs	-	(193,108)	-	(193,108)	(983,905)
Exercise of warrants	-	35,000	-	35,000	3,042,431
Exercise of brokers warrants	-	-	-	-	174,375
Exercise of stock options	-	-	-	-	18,000
Repayment of advances	-	-	-	-	(52,545)
Exploration advances received (paid)	-	(34,985)	-	(402,496)	-
	-	2,250,657	-	1,883,146	18,616,070
<b>Investing</b>					
Mining interests	(316,379)	(399,597)	(381,936)	(551,640)	(20,968,203)
Exploration advance and supplies inventory	-	214,575	-	340,749	(482,667)
Purchase of short-term investment	-	-	-	-	(1,050,000)
Redemption of short-term investment	-	-	-	-	1,100,000
Equipment purchase	-	-	-	-	(36,297)
	<b>(316,379)</b>	<b>(185,022)</b>	<b>(381,936)</b>	<b>(210,891)</b>	<b>(21,437,167)</b>
<b>Increase (decrease) in cash</b>	<b>(379,205)</b>	<b>1,763,254</b>	<b>(633,971)</b>	<b>1,239,168</b>	<b>(2,425,018)</b>
<b>Cash, beginning of period</b>	<b>779,267</b>	<b>493,561</b>	<b>1,034,033</b>	<b>1,017,647</b>	<b>2,825,080</b>
<b>Cash, end of period</b>	<b>\$ 400,062</b>	<b>\$ 2,256,815</b>	<b>\$ 400,062</b>	<b>\$ 2,256,815</b>	<b>\$ 400,062</b>

See accompanying notes to financial statements

# WHITE PINE RESOURCES INC.

(A Development Stage Company)

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended September 30, 2010 and 2009

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### 1. NATURE OF OPERATIONS AND GOING CONCERN BASIS OF ACCOUNTING

White Pine Resources inc. ("**WPR**" or the "**Company**") is a publicly listed Canadian junior resource company with mining interests in Canada. WPR is engaged in the identification, acquisition, evaluation and exploration of gold, nickel, copper, zinc, silver and other base metal properties in Canada. To date, WPR has not earned any revenue from operations and is considered to be in the development stage.

The Company has not determined whether its mining interests contain mineral reserves that are economically recoverable. The recoverability of amounts shown for mining interests is dependent upon the existence of economically recoverable mineral deposits, the ability of the Company to obtain necessary financing, as necessary, to complete exploration and/or development, and upon future profitable production from the properties or proceeds from the disposition.

The Company is dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake further exploration and/or development of its mining interests. There is significant uncertainty on whether the Company will be able to further fund its exploration and/or development programs since there is no assurance it will be able to raise sufficient funds in the future.

At September 30, 2010, the Company had working capital of \$515,115 and an accumulated deficit of \$34,693,149 (March 31, 2010 - \$994,660 and \$34,934,749). These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. Management of the Company believes that it has sufficient funds to pay its ongoing expenses and to meet its liabilities as they fall due until the end of this fiscal year. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its exploration activities is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying unaudited interim consolidated financial statements. Such adjustments could be material.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**"). Accordingly, they do not include all of the information and notes to the financial statements required by Canadian GAAP for annual financial statements. These interim financial statements have been prepared by management in accordance with the accounting policies described in WPR's annual financial statements for the year ended March 31, 2010. For further information, refer to the financial statements and notes thereto included in WPR's annual financial statements for the year ended March 31, 2010.

### 2. AUDITOR INVOLVEMENT

The Company's auditors have not performed a review of the unaudited interim consolidated financial statements for the six months ended September 30, 2010.

## WHITE PINE RESOURCES INC.

(A Development Stage Company)

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended September 30, 2010 and 2009

### 3. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

#### (a) Changes in Accounting Policies

##### Financial Statement Concepts

Section 1000 which has been amended to clarify the criteria for the recognition of an asset, specifically as it relates to the use of the matching principle. Accordingly, certain items that may have been previously recognized as assets may not be able to be reflected as such under the new recommendations.

##### Business Combinations

Section 1582 which will replace Section 1581. The new standard establishes standards for the recognition and measurement of identifiable assets acquired, liabilities assumed, non-controlling interest in the acquiree and goodwill acquired in a business combination.

##### Consolidated Financial Statements and Non-controlling Interests

Sections 1601 and Section 1602 which together will replace section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602, establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Company does not expect the adoption of these new standards to have a material effect on its financial statements.

#### (b) Recent Accounting Pronouncements

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

In 2006, the Canadian Accounting Standards Board ("**AcSB**") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period.

In February 2008, the AcSB confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect WPR's reported financial position and results of operations. While WPR has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### 4. MINING INTERESTS

Property	Acquisition costs	Exploration	Write-downs	Balance September 30, 2010
MZ	\$ 43,813	\$ 289,234	\$ -	\$ 333,047
Lowland	15,854	13,279,425	(9,275,671)	4,019,608
Luc Bourdon	175,000	1,149,702	(1,324,702)	-
Garden Island	-	325,000	(324,999)	1
	<b>\$ 234,667</b>	<b>\$ 15,043,361</b>	<b>\$ (10,925,372)</b>	<b>\$ 4,352,656</b>

## WHITE PINE RESOURCES INC.

(A Development Stage Company)

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended September 30, 2010 and 2009

#### 4. MINING INTERESTS (continued)

	MZ	Lowland	Luc Bourdon	Garden Island	Total
<b>Balance, March 31, 2010</b>	<b>\$ 105,777</b>	<b>\$ 3,895,790</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 4,001,568</b>
Acquisition costs	3,988	-	-	-	3,988
Exploration	223,282	123,818	30,848	-	377,948
Write-downs	-	-	(30,848)	-	(30,848)
	227,270	123,818	-	-	351,088
<b>Balance, September 30, 2010</b>	<b>\$ 333,047</b>	<b>\$ 4,019,608</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 4,352,656</b>

##### (a) MZ (Boston Creek Gold Property)

On December 14, 2009, WPR announced the signing of an agreement for the acquisition of an option to acquire the MZ Boston Creek Gold Property ("MZ") located in the Boston Creek gold mining district south of Kirkland Lake, Ontario. The MZ property, consisting of 608 hectares, can be acquired from two local prospectors for consideration of cash, shares and exploration expenditures based on the following timetable:

To acquire an initial 50% interest in the property:

- On signing: \$20,000 cash plus 50,000 WPR shares, valued at \$15,000 (paid);
- By January 1st, 2011: \$20,000 cash plus 100,000 WPR shares, and incur \$100,000 in exploration expenditures;
- By January 1st, 2012: \$20,000 cash plus 100,000 WPR shares, and incur \$100,000 in exploration expenditures.
- By January 1st, 2013: incur \$150,000 in exploration expenditures.

At the option of WPR, to acquire an additional 50% interest in the property:

- By January 1st, 2013: \$20,000 cash plus 100,000 WPR shares;
- By January 1st, 2014: \$120,000 cash plus 400,000 WPR shares, and incur \$500,000 in exploration expenditures;
- By December 31, 2014: incur \$500,000 in exploration expenditures.

A 2% net smelter return royalty has been retained by the prospectors with the option of 1% being purchased by WPR for \$1 million.

##### (b) Lowland

On March 26, 2008 the Company entered into an option agreement with Metalex Ventures Ltd. ("Metalex"), and Arctic Star Diamond Corp. ("Arctic") pursuant to which WPR was granted the option to acquire a 50% interest in certain claims of Metalex's and Arctic's James Bay properties located on and around the "Ring of Fire" and covering approximately 36 square kilometers.

## WHITE PINE RESOURCES INC.

(A Development Stage Company)

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended September 30, 2010 and 2009

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#### 4. MINING INTERESTS (continued)

##### (b) Lowland

Under the terms of the agreement, WPR has the right to fund a maximum of \$20.0 million in expenditures on the Lowland property over a four year period. For each \$5.0 million in expenditures, WPR will acquire a 12.5% interest in the Lowland property, up to a maximum 50% interest. WPR should fund the required \$20.0 million in expenditures by way of:

- Meeting cash calls of \$5.0 million before May 16, 2009. Anytime after the first cash call has been met, the Company may elect to terminate the option agreement.;
- Meeting cash calls of \$5.0 million before May 15, 2010;
- Meeting cash calls of \$ 5.0 million before May 15, 2011;
- Meeting cash calls of \$ 5.0 million before May 15, 2012.

As at September 30, 2010 the Company has spent \$13.3 million (including \$9.3 million written-off during fiscal 2009), meeting its commitment up to May 15, 2010 and earning a 25% interest in the Lowland property. If WPR authorizes additional spending in a period they must meet all additional cash calls made to be in compliance with the agreement.

WPR may at any time prior to the termination of the option period earn a full 50% interest by making a lump sum payment to Metalex in the amount of \$20.0 million minus the amount of expenditures that WPR has funded to date.

##### (c) Luc Bourdon

On September 11, 2008 WPR and Noront Resources Ltd. ("**Noront**") entered into an option agreement with Golden Valley Mines Ltd. ("**Golden Valley**"), providing WPR and Noront with the option to acquire from Golden Valley an aggregate 70% interest in the Luc Bourdon property located in the lowland region of James Bay, Ontario. WPR and Noront jointly control the option and WPR has accounted for the option as a joint venture.

In order to satisfy its payments under the agreement, WPR paid to Golden Valley on September 19, 2008 the amount of \$175,000 by paying \$25,000 in cash and issuing Golden Valley 34,091 WPR common shares with a fair value of \$4.40 per share.

WPR and Noront are required to incur aggregate exploration expenditures on the property of at least \$5.0 million over a three-year period, of which \$1.0 million must be expended in the first year. As at September 30, 2010 the Joint Venture has spent \$2.3 million on exploration. WPR wrote-off its entire share during fiscal 2010.

WPR recorded its 50% proportionate interest in the assets of the joint venture. The assets of the joint venture are as follows:

- Mining interest: \$2,614,714
- Cash flow from investing activities: \$2,464,714

During the six months ended September 30, 2010 the Company incurred \$30,848 of exploration expenditures on the Luc Bourdon property. The costs corresponded to camp operations and miscellaneous expenses related to the wind-up of the project. Since the project costs were written-off during fiscal 2010, these costs were charged to the statement of operations as additional write-down accordingly.

During the six months ended September 30, 2010, the Company earned \$80,130 in camp rental revenues. In prior periods, the Company was recording camp rental revenue by reducing exploration expenditures on its Luc Bourdon property. However, since the project costs were written-off during fiscal 2010, the company is prospectively recording the camp rental revenue as Other Income charged through the statement of operations.

## WHITE PINE RESOURCES INC.

(A Development Stage Company)

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended September 30, 2010 and 2009

#### 4. MINING INTERESTS (continued)

##### (d) Garden Island

On February 25, 2009, the Company entered into an agreement (the "**Garden Island Option Agreement**") with TSR Resources Inc. ("**TSR**") where TSR granted the Company an option to acquire an individual 20% right, title and interest for a resulting aggregate 10% right, title and interest (the "**Interest**") in and to 296 mineral claims located in Piedmont, Courville, Pascalis and Senneville Townships of Quebec, (collectively the "**Garden Island Property**").

TSR and Noront entered into an option agreement dated July 6, 2007 and amended on July 10, 2008 (the "**Noront Option Agreement**"), pursuant to which Noront has acquired a 50% interest in the Garden Island Property and upon exercise of the Garden Island Option Agreement, the Property shall thereafter be held as 50% by Noront, 40% by TSR and 10% by WPR.

To exercise the Garden Island Option Agreement and thereby acquire the Interest, WPR incurred expenses on the Garden Island Property in the aggregate amount of \$325,000.

Given subsequent discouraging exploration results, during fiscal 2010 the Company decided to write-down its mining interest in the Garden Island Property to a nominal amount.

#### 5. EQUIPMENT

	September 30, 2010		
	Cost	Accumulated amortization	Net
Computer equipment	\$ 4,516	\$ 3,712	\$ 804
Computer software	13,484	10,323	3,161
Furniture and equipment	17,356	7,844	9,512
	<u>\$ 35,356</u>	<u>\$ 21,879</u>	<u>\$ 13,477</u>
	March 31, 2010		
	Cost	Accumulated amortization	Net
Computer equipment	\$ 4,516	\$ 3,479	\$ 1,037
Computer software	13,484	9,405	4,079
Furniture and equipment	17,356	6,787	10,569
	<u>\$ 35,356</u>	<u>\$ 19,671</u>	<u>\$ 15,685</u>

## WHITE PINE RESOURCES INC.

(A Development Stage Company)

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended September 30, 2010 and 2009

#### 6. SHARE CAPITAL

##### (a) Common Shares

- Authorized Capital** - Unlimited number of common shares  
- Unlimited number of special shares  
- 500,000 preference shares

##### Issued

	Number of shares	Consideration
Balance - March 31, 2009	17,592,660	\$ 30,013,771
Flow-through Shares (" <b>FT Shares</b> ") issued, August 2009	4,874,999	2,193,750
Tax effect of FT Shares	-	(805,000)
Issued under private placement, August 2009	725,000	290,000
August 2009 Warrants	-	(65,176)
August 2009 Broker Warrants	-	(71,352)
Share issue costs	-	(193,107)
Exercise of warrants	100,000	35,000
Fair value of warrants transferred to common shares	-	7,616
Issued on acquisition of MZ mineral interest ( <i>note 4(a)</i> )	50,000	15,000
<b>Balance - March 31, 2010 and September 30, 2010</b>	<b>23,342,659</b>	<b>\$ 31,420,502</b>

On August 25, 2009 the Company completed a private placement order which WPR issued 4,874,999 FT Shares at a price of \$0.45 per FT Share and 725,000 Units at a price of \$0.40 per Unit. Each unit consist of one common share and one-half of one WPR share purchase warrant, each whole such warrant entitling the holder thereof to acquire one additional WPR common share for a period of 24 month at an exercise price of \$0.65 ("**August 2009 Warrants**"). In connection with the offering, WPR paid finder's fees to certain qualified registrants assisting in the offering in the amount of \$161,444 representing 6.5% of the gross proceeds raised by such finder, and issued 316,874 broker warrants to such finders representing 6.5% of the aggregate number of FT Shares sold by such finders in the offering. The broker warrants are exercisable at a price of \$0.45 per share, for a period of two years following the closing of the offering ("**August 2009 Broker Warrants**").

## WHITE PINE RESOURCES INC.

(A Development Stage Company)

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended September 30, 2010 and 2009

#### 6. SHARE CAPITAL (continued)

##### (b) Warrants

	Number of warrants	Number of broker warrants	Allocated value
Balance - March 31, 2009	7,166,667	109,417	\$ 2,964,543
August 2009 Warrants	362,500	-	65,176
August 2009 Broker Warrants	-	316,874	71,352
Warrants modification	-	-	878,676
Exercise of warrants	(100,000)	-	(7,616)
Expiry of warrants	(50,000)	-	(195,000)
Balance - March 31, 2010	7,379,167	426,291	3,777,131
Expiry of warrants	(841,667)	-	(1,823,570)
Expiry of broker warrants	-	(109,417)	(432,583)
<b>Balance - September 30, 2010</b>	<b>6,537,500</b>	<b>316,874</b>	<b>\$ 1,520,978</b>

During the year ended March 31, 2010, 50,000 warrants related to a property option agreement expired unexercised. On April 25, 2010, 841,667 warrants and 109,417 broker warrants relating to an April 25, 2008 private placement expired unexercised.

During the year ended March 31, 2010 the following warrants and broker warrants were issued and valued using the Black-Scholes option pricing model parameters listed below (in each case with no dividends):

	Number of warrants	Exercise price	Black-Scholes Option Pricing Parameters		
			Risk-free interest rate	Expected life (Years)	Volatility factor
August 2009 Warrants	362,500	\$0.65	1.29%	2.0	141%
August 2009 Broker Warrants	316,874	\$0.45	1.29%	2.0	141%

On November 19 2009, WPR extended the term of some of its warrants as follows:

- An aggregate of 4,175,000 Series 2008-II warrants, originally issued in December 2008, exercisable at \$0.35 per share until December 23, 2009 ("**Series 2008-II Warrants**"), were extended to December 23, 2010.
- An aggregate of 2,000,000 Series 2009-I warrants, originally issued on January 26, 2009 and exercisable at \$0.35 per share until January 26, 2010 ("**Series 2009-I Warrants**"), were extended to January 26, 2011.

The Company has recorded the incremental difference as a capital transaction based on the fair value of these warrants immediately prior to and after the modification.

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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended September 30, 2010 and 2009

#### 6. SHARE CAPITAL (continued)

##### (b) Warrants (continued)

The Series 2008-II Warrants and Series 2009-I Warrants were originally issued and valued using the Black-Scholes option pricing model parameters as listed below (in each case with no dividends):

	Number of warrants	Exercise price	Black-Scholes Option Pricing Parameters		
			Risk-free interest rate	Expected life (Years)	Volatility factor
Series 2008-II Warrants	4,175,000	\$0.35	0.16%	0.09	95%
Series 2009-I Warrants	2,000,000	\$0.35	0.22%	0.19	91%

On November 19, 2009, the date of extension, the Series 2008-II Warrants and Series 2009-I Warrants were valued using the Black-Scholes option pricing model parameters as listed below (in each case with no dividends):

	Number of warrants	Exercise price	Black-Scholes Option Pricing Parameters		
			Risk-free interest rate	Expected life (Years)	Volatility factor
Series 2008-II Warrants	4,175,000	\$0.35	0.47%	1.09	142%
Series 2009-I Warrants	2,000,000	\$0.35	0.47%	1.19	150%

A summary of the Company's outstanding warrants and brokers warrants at September 30, 2010 is presented below:

Issue date	Number of warrants	Number of broker warrants	Exercise price	Expiry date
December 23, 2008	4,175,000	-	\$0.35	December 23, 2010
January 26, 2009	2,000,000	-	\$0.35	January 26, 2011
August 25, 2009	362,500	-	\$0.65	August 25, 2011
August 25, 2009	-	316,874	\$0.45	August 25, 2011
	6,537,500	316,874		

##### (c) Contributed Surplus and Stock Options

###### Contributed Surplus

Balance - March 31, 2009	\$ 4,113,754
Stock-based compensation	472,450
Expiry of warrants	195,000
Tax effect on expiry of warrants	(32,175)
Balance - March 31, 2010	4,749,029
Expiry of warrants	2,256,153
Tax effect on expiry of warrants	(372,265)
<b>Balance - September 30, 2010</b>	<b>\$ 6,632,917</b>

## WHITE PINE RESOURCES INC.

(A Development Stage Company)

### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three and six months ended September 30, 2010 and 2009

#### 6. SHARE CAPITAL (continued)

##### (c) Contributed Surplus and Stock Options (continued)

The Company has a stock option plan (the "Plan") under which it is authorized to grant stock options to acquire common shares to directors, officers, employees and consultants. During fiscal 2010, the Plan was converted into a "rolling plan" where the aggregate number of common shares which may be issued and sold under the Plan will not exceed 10% of the aggregate number of common shares issued and outstanding from time to time. The number of common shares which may be reserved for issue to any one individual under the Plan within any one-year period shall not exceed 5% of the outstanding issue. The board of directors or Committee shall determine the exercise price of stock options issued, as applicable, based on the market price. The stock options are non-assignable and may be granted for a term not exceeding five years. Stock options issued under the Plan may vest at the discretion of the Board of Directors. The total number of stock options available for issue under the plan as at September 30, 2010 is 880,266.

##### Stock Options

	Number of options	Weighted average exercise price
Balance - March 31, 2009	1,519,000	\$ 3.28
Expired	(20,000)	6.00
Balance - March 31, 2010	1,499,000	3.24
Expired	(45,000)	3.49
<b>Balance - September 30, 2010</b>	<b>1,454,000</b>	<b>\$ 3.23</b>

A summary of the Company's outstanding stock options at September 30, 2010 is presented below:

Issue date	Options outstanding & exercisable	Exercise price	Weighted average remaining life (Years)
April 12, 2006	20,000	\$5.00	0.53
May 16, 2006	20,000	\$6.70	0.62
November 20, 2006	50,000	\$6.00	1.14
April 19, 2007	10,000	\$6.00	1.55
November 28, 2007	24,000	\$6.00	2.16
June 11, 2008	435,000	\$8.00	2.70
July 16, 2008	30,000	\$6.00	2.79
February 17, 2009	865,000	\$0.35	3.39
	1,454,000	\$3.23	2.98

## WHITE PINE RESOURCES INC.

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#### 7. CAPITAL RISK MANAGEMENT

The Company's capital consists of common shares, warrants and contributed surplus, which as at September 30, 2010 totaled \$39,574,397 (March 31, 2010 - \$39,946,662).

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties.

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 appropriate. There were no changes in the Company's approach to capital management during the six months ended September 30, 2010. The Company is obligated to spend funds raised through flow-through financing on qualifying expenses. At September 30, 2010 \$18,336 remained unspent in this respect.

#### 8. PROPERTY AND FINANCIAL RISK FACTORS

##### (a) Property Risk

As at September 30, 2010, the Company had interests in the MZ, Lowland, Luc Bourdon, and Garden Island properties (the "**Properties**"). Although the Company has taken steps to verify title to the Properties on which it is conducting exploration and 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 and non-compliance with regulatory requirements.

##### (b) Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

##### (i) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and short-term investments and sundry receivables. Cash and short-term investments consist of cash on hand and short-term securities with reputable financial institutions. Amounts receivable are in good standing as of September 30, 2010. Management believes that the credit risk concentration with respect to financial instruments included in cash and short-term investments and amounts receivable is minimal.

##### (ii) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2010, the Company has cash and short-term investments balances of \$410,062 (March 31, 2010 - \$1,044,033) to settle current liabilities of \$42,513 (March 31, 2010 - \$315,360). Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

## WHITE PINE RESOURCES INC.

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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### 8. PROPERTY AND FINANCIAL RISK FACTORS (continued)

##### (b) Financial Risk (continued)

###### (iii) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and the price of commodities.

###### Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in short-term securities and marketable securities which consist of certificates of deposit, banker's acceptances and discount notes ("fixed income"). The Company's cash balances and short-term investments bear interest at floating rates and as such are subject to interest rate cash flow risk resulting from market fluctuation in interest rates.

###### Commodity Price Risk

WPR is exposed to price risk, mainly gold and nickel, with respect to commodity prices which affects the valuation of mining interests and share price. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. WPR closely monitors commodity prices as it relates to precious and base metals to determine the appropriate course of action to be taken.

##### (c) Sensitivity Analysis

The Company has designated, for accounting purposes, its cash and short-term investments as held for trading, which are measured at fair value. Sundry receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair market value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost which also equals fair market value.

As at September 30, 2010, the carrying value of the Company's financial instruments approximates their fair value.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

Investment is subject to floating interest rates. As at September 30, 2010, if interest rates had decreased/increased by 1% with all other variables held constant, the net loss for the six months ended September 30, 2010 would have varied by approximately \$2,000, as a result of the variance in interest income from cash and cash equivalents.

#### 9. SEGMENTED INFORMATION

All of WPR's operations relate to mining interests in Canada and its head office is located in Ontario, Canada.

#### 10. SUBSEQUENT EVENTS

- (a) Subsequent to period end, 700,000 stock options were issued to directors, officers, employees and consultants of the Company. The stock options issued had an exercise price of \$0.36 and an expiry date of November 25, 2015.
- (b) Subsequent to period end, the Company extended the term of its 4,175,000 Series 2008-II warrants and its 2,000,000 Series 2009-I warrants to December 23, 2011 and January 26, 2012, respectively.

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### NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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For the three and six months ended September 30, 2010 and 2009

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#### 10. SUBSEQUENT EVENTS (continued)

- (c) Subsequent to period end, WPR entered into a letter of intent (the "**Letter of Intent**") for an option (the "**Option**") to earn a 100% interest in the properties known as the Money property (the "**Money Property**") and the Tender property (the "**Tender Property**" and collectively with the Money Property, the "**Properties**") located in the White Gold District, Yukon Territory. A net smelter return royalty (the "**NSR**") on each of the Properties of 2% is payable by WPR on obtaining 100% interest, one-half of each of which may be purchased by WPR for \$2,500,000 each.

In order to acquire its 100% interest in the Money Property, WPR will be required to:

- (i) make cash payments totaling \$950,000 in tranches over a four year period;
- (ii) issuing an aggregate of 2,750,000 common shares of WPR in tranches over a four year period; and
- (iii) incurring an aggregate of \$1,250,000 in exploration expenditures on the Money Property over a four year period.

In order to acquire its 100% interest in the Tender Property, WPR will be required to:

- (i) make cash payments totaling \$425,000 in tranches over a four year period;
- (ii) issuing an aggregate of 1,250,000 common shares in tranches over a four year period; and
- (iii) incurring an aggregate of \$750,000 in exploration expenditures on the Tender Property over a four year period.

Upon earning 100% interest in the Properties, WPR will also be required to issue an additional 250,000 common shares upon having incurred aggregate exploration expenditures of a total of \$5,000,000 on the Properties, and a further 250,000 common shares upon having incurred aggregate exploration expenditures of \$7,500,000 on the Properties.

In the event that the Option is exercised, WPR shall be required to make annual advance royalty payments (the "**Advance Royalty Payments**") of \$25,000 for each Property in respect of which the Option is exercised commencing in 2015 until such time as commercial production commences. Any amount paid in respect of such Annual Royalty Payments shall be credited against the NSR payable in respect of either of the Properties. The Letter of Intent remains subject to various conditions including the execution of a definitive Option Agreement and the approval of the TSX Venture Exchange ("**TSXV**").

- (d) Subsequent to period end, WPR proposed to complete a non-brokered private placement (the "**Offering**") pursuant to which it will issue up to 4,000,000 units ("**Units**") at a price of \$0.25 per Unit, to raise aggregate gross proceeds of up to approximately \$1,000,000. Each Unit will consist of one common share and one-half of one share purchase warrant of WPR. Each whole such share purchase warrant will entitle the holder thereof to acquire one additional common share for a period of 24 months at an exercise price of \$0.35 per share. The Offering remains subject to the approval of the TSXV.

#### 11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's consolidated financial statement presentation.