

FIRST BAUXITE CORPORATION

**Consolidated Financial Statements
September 30, 2010 and 2009**

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MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of First Bauxite Corporation 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 maintains a system of internal control to ensure that the Company’s assets are protected from loss or improper use, transactions are authorized and properly recorded and financial records are reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee, which is comprised primarily of non-management directors. The audit committee reviews the results of the audit and the annual financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the audited consolidated financial statements.

“Yannis Tsitos”
.....
Yannis Tsitos, President

“Albert Wu”
.....
Albert Wu, Chief Financial Officer

Vancouver, British Columbia
January 21, 2011

AUDITORS' REPORT

TO THE SHAREHOLDERS OF FIRST BAUXITE CORPORATION

We have audited the consolidated balance sheets of First Bauxite Corporation as at September 30, 2010 and 2009 and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 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" (signed)

Chartered Accountants

Vancouver, British Columbia
January 21, 2011

FIRST BAUXITE CORPORATION
Consolidated Balance Sheets
September 30

	2010	2009
Assets		
Current		
Cash and cash equivalents (note 3)	\$ 73,947	\$ 6,995,107
Restricted cash (note 4)	115,000	46,000
Other receivables	13,238	21,932
Taxes receivable	149,361	55,413
Due from related party (note 12)	8,294	-
Mineral exploration tax credit receivable	-	37,038
Prepaid expenses and deposits	358,228	82,155
	718,068	7,237,645
Property and Equipment (note 5)	1,744,956	1,115,675
Mineral Property Interest (note 7)	20,269,726	13,809,774
	\$ 22,732,750	\$ 22,163,094
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 343,724	\$ 547,868
Due to related parties (note 12)	785,904	362,313
	1,129,628	910,181
Convertible Notes Payable (note 8)	4,344,290	3,692,325
Future Income Tax (note 16)	1,961,500	1,961,500
	7,435,418	6,564,006
Shareholders' Equity		
Share Capital (note 9)	15,531,828	13,126,422
Contributed Surplus	1,661,558	2,025,435
Equity Component of Convertible Notes Payable (note 8)	3,519,632	3,519,632
Deficit	(5,415,686)	(3,072,401)
	15,297,332	15,599,088
	\$ 22,732,750	\$ 22,163,094

Nature of Operations and Going Concern (note 1)
 Commitments (note 13)
 Subsequent Events (note 17)

Approved on behalf of the Board:

"Jim Heras"
 Director
 Jim Heras

"Yannis Tsitos"
 Director
 Yannis Tsitos

FIRST BAUXITE CORPORATION
Consolidated Statements of Operations and Comprehensive Loss
Years Ended September 30

	2010	2009
Expenses		
Amortization	\$ 8,547	\$ 9,175
Insurance	17,277	15,141
Interest (note 8)	652,764	136,330
Management and administration fees (note 12)	27,000	36,000
Office and other (note 12)	191,105	95,830
Professional fees (note 12)	275,420	144,085
Salaries and benefits (note 12)	233,607	193,026
Shareholders communication and travel (note 12)	658,435	169,651
Stock-based compensation (note 9(d))	350,849	419,326
Stock exchange and filing fees	35,136	18,521
Transfer agent fees	8,933	11,225
Loss Before Other Items	2,459,073	1,248,310
Other Items		
Acquisition costs (note 6)	-	125,731
Interest income	(15,749)	(12,092)
Foreign exchange	(80,058)	61,067
Recovery of expenses	(19,981)	-
	(115,788)	174,706
Net Loss and Comprehensive Loss for Year	\$ 2,343,285	\$ 1,423,016
Basic and Diluted Loss per Share	\$ 0.05	\$ 0.04
Weighted Average Number of Common Shares Outstanding	44,753,720	40,050,602

FIRST BAUXITE CORPORATION
Consolidated Statements of Shareholders' Equity
Years Ended September 30

	Share Capital		Deficit	Contributed Surplus		Convertible Debt	Total Shareholders' Equity
	Shares	Amount		Warrants	Options		
Balance, September 30, 2008	31,080,002	\$ 3,281,209	\$(1,649,385)	\$439,339	\$ 656,194	\$ -	\$ 2,727,357
Net loss for the year	-	-	(1,423,016)	-	-	-	(1,423,016)
Shares issued for cash (note 9(b))							
Private placements	2,898,530	1,904,054	-	304,126	-	-	2,208,180
Exercise of options	150,000	22,500	-	-	-	-	22,500
Share issue costs	-	(198,472)	-	-	-	-	(198,472)
Purchase of Bonasika Ltd. (notes 6 and 9(b))	9,000,000	8,100,000	-	-	-	-	8,100,000
Reclassification of contributed surplus on exercise of stock options	-	17,131	-	-	(17,131)	-	-
Issuance of convertible debt (note 8)	-	-	-	-	-	3,979,248	3,979,248
Cash transaction costs allocated on convertible debt	-	-	-	-	-	(348,412)	(348,412)
Agent warrants issued on convertible debt	-	-	-	223,581	-	(111,204)	112,377
Stock-based compensation	-	-	-	-	419,326	-	419,326
Balance, September 30, 2009	43,128,532	13,126,422	(3,072,401)	967,046	1,058,389	3,519,632	15,599,088
Net loss for the year	-	-	(2,343,285)	-	-	-	(2,343,285)
Shares issued for cash (note 9(b))							
Exercise of options	1,440,000	261,000	-	-	-	-	261,000
Exercise of warrants	1,596,000	1,429,680	-	-	-	-	1,429,680
Reclassification of contributed surplus on exercise of warrants	-	471,146	-	(471,146)	-	-	-
Reclassification of contributed surplus on exercise of stock options	-	243,580	-	-	(243,580)	-	-
Stock-based compensation	-	-	-	-	350,849	-	350,849
Balance, September 30, 2010	46,164,532	\$15,531,828	\$(5,415,686)	\$495,900	\$1,165,658	\$3,519,632	\$15,297,332

FIRST BAUXITE CORPORATION
Consolidated Statements of Cash Flows
Years Ended September 30

	2010	2009
Operating Activities		
Net loss	\$ (2,343,285)	\$ (1,423,016)
Items not involving cash		
Amortization	8,547	9,175
Accretion interest expenses on convertible note	651,965	135,982
Stock-based compensation	350,849	419,326
Acquisition costs	-	125,731
	(1,331,924)	(732,802)
Changes in non-cash working capital		
Other receivables	8,694	712
Taxes receivable	(93,948)	(37,966)
Mineral exploration tax credit receivable	37,038	19,979
Prepaid expenses	(276,073)	(113,509)
Accounts payable and accrued liabilities	177,290	(54,226)
Due to related parties	175,266	11,055
Net Cash Used in Operating Activities	(1,303,657)	(906,757)
Financing Activities		
Convertible notes issued	-	8,000,000
Shares and warrants issued for cash, net of share issuance costs	1,690,680	2,032,208
Deferred debt financing costs incurred	-	(700,444)
Net Cash Provided by Financing Activities	1,690,680	9,331,764
Investing Activities		
Short-term investments	-	1,719,260
Purchase of property and equipment	(897,812)	(698,805)
Mineral property interest expenditures	(6,341,371)	(1,946,220)
Cash acquired from purchase of Bonasika	-	439,074
Advances to Guyana Industrial Minerals Inc.	-	(967,558)
Restricted cash	(69,000)	-
Net Cash Used in Investing Activities	(7,308,183)	(1,454,249)
Net Cash Inflow (Outflow)	(6,921,160)	6,970,758
Cash and Cash Equivalents, Beginning of Year	6,995,107	24,349
Cash and Cash Equivalents, End of Year	\$ 73,947	\$ 6,995,107

Supplemental Cash Flow Information (note 14)

FIRST BAUXITE CORPORATION
Notes to Consolidated Financial Statements
Years Ended September 30, 2010 and 2009

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the laws of the Province of British Columbia on July 8, 2003. On December 5, 2008, the Company changed its name from Academy Ventures Inc. to First Bauxite Corporation.

The Company is an exploration stage company and its main business is acquiring and exploring mineral property interests.

These consolidated financial statements are prepared on a “going concern” basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of September 30, 2010, the Company had a working capital deficit of \$411,560 (2009 working capital - \$6,327,464). The Company does not currently hold any revenue-generating properties and thereby continues to incur losses (2010 - \$2,343,285; 2009 - \$1,423,016). The Company has an accumulated deficit of \$5,415,686 as at September 30, 2010 (2009 - \$3,072,401).

The Company’s ability to execute its work plan, meet its administrative overhead obligations, discharge its liabilities and fulfill its commitments as they come due is dependent upon its success in obtaining additional debt or equity financing and, ultimately, on locating economically recoverable resources and attaining profitable operations. The Company completed a feasibility study on certain of its mineral properties in 2010 and is currently focused on raising funds for further development work and to cover administrative and other operational expenses. In September 2010, the Company announced it was proceeding with a non-brokered private placement and in October 2010 the Company closed two tranches of the private placement for gross proceeds of \$4,037,500 (refer to note 17(a)). In addition, the Company closed the first tranche of a convertible loan facility and issued an \$8,000,000 convertible note.

These consolidated financial statements do not reflect any adjustments to carrying amounts or classifications of assets and liabilities that might be necessary if the going concern assumption was not appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and are stated in Canadian dollars.

(a) Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Bonasika Ltd. (“Bonasika”), Guyana Industrial Minerals Inc. (“GINMIN”), and Rafters Investment Corp. (“Rafters”). All significant inter-company balances and transactions have been eliminated upon consolidation.

(b) Use of estimates

The preparation of financial statements in accordance 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 amount of expenses during the reporting year.

FIRST BAUXITE CORPORATION
Notes to Consolidated Financial Statements
Years Ended September 30, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Use of estimates (Continued)

Significant areas requiring the use of management estimates relate to determining the recoverability of mineral property interests, the amount of mineral exploration tax credit receivable, the determination of accrued liabilities, rates of amortization on property and equipment, the variables used in the determination of the fair value of stock options granted and warrants issued, the variables used to determine the fair value of the debt and equity components of the convertible notes payable, and the determination of the valuation allowance for future tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(c) Mineral property interests

All costs related to the acquisition of, exploration for and development of mineral property interests, net of recoveries, are capitalized on a property-by-property basis. 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, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property 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 property for an amount greater than the deferred costs, the property 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. Proceeds received on the sale or option of the Company's properties are recorded as a reduction of the mineral costs. The Company recognizes in income those costs that are recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

(d) Revenue recognition

Interest income is recorded as earned at the effective rate of interest of the investment over the term to maturity.

(e) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants, convertible debt and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants, convertible debt and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. 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.

FIRST BAUXITE CORPORATION
Notes to Consolidated Financial Statements
Years Ended September 30, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Loss per share (Continued)

The calculation also excludes common shares that are being held in escrow at year-end where the terms of release are dependent on requirements other than the passage of time.

(f) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, 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 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 directors, employees and non-employees, the fair value of the options is accrued and charged either to operations or mineral property interests, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are exercised, the applicable amounts from contributed surplus are transferred to share capital.

(g) 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), and tax losses carried forward. 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 rate is included in operations in the period in which the change is substantively assured. Future tax benefits are recognized to the extent that realization of such benefits is considered to be more likely than not.

(h) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization of property and equipment is recorded on those items that have been put into service. Amortization is calculated on a declining-balance basis at the following annual rates:

Office equipment and furniture	20% to 50%
Machinery and equipment	20%
Vehicles	20%

Additions during the year are amortized at one-half the annual rates.

(i) Equity unit offerings

The proceeds from the issuance of equity units are allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values using the market trading price and the Black-Scholes option pricing model for the shares and warrants, respectively.

FIRST BAUXITE CORPORATION
Notes to Consolidated Financial Statements
Years Ended September 30, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Asset retirement obligation ("ARO")

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 is charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of the 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. At present the Company has determined that it has no material AROs.

(k) Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. The accounts of subsidiaries, which are integrated operations, are translated to Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate. Non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or liabilities incurred. Revenue and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in operations (except for depreciation, which is translated at the same rate as the related asset). Exchange gains and losses are included in the statements of operations.

(l) Cash equivalents

Cash equivalents consist of deposits with banks or highly liquid investments that are readily redeemable into known amounts of cash and have an initial maturity of three months or less.

(m) Convertible notes payable

The Company's convertible notes are allocated into corresponding debt and equity components at the date of issue. The components are allocated based on their relative fair values. The equity component represents the value of the conversion feature and is valued using the Black-Scholes option pricing model. The debt component is valued using the present value of the estimated cash flows using the Company's cost of capital. The notes are subsequently accreted to face value at the effective interest rate.

(n) Non-monetary transaction

All non-monetary transactions are measured at the fair value of the asset surrendered or received, whichever is more reliable. Shares issued for consideration other than cash are valued at the quoted market price at the date of issuance.

FIRST BAUXITE CORPORATION
Notes to Consolidated Financial Statements
Years Ended September 30, 2010 and 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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 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 other financial liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income and reported in shareholders' equity.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

(p) Future accounting pronouncement

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 December 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 September 30, 2011 and earlier where applicable. The Company is currently evaluating the impact of the conversion to IFRS and is considering accounting policy choices available under IFRS.

3. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents consists of cash of \$11,947 (2009 - \$3,340,107) and a redeemable guaranteed investment certificate ("GIC") amounting to \$62,000 (2009 - \$3,655,000).

The GIC was purchased on March 18, 2010 with interest at the bank's prime rate minus 1.75%, matures on March 17, 2011 and is redeemable at the option of the Company at any time.

4. RESTRICTED CASH

The Company has \$115,000 (2009 - \$46,000) invested in two redeemable GICs of \$69,000 and \$46,000 with interest at the bank's prime minus 1.85% maturing October 21, 2010 and January 24, 2011, respectively. The GICs are held as collateral for corporate credit cards with a major Canadian bank.

FIRST BAUXITE CORPORATION
Notes to Consolidated Financial Statements
Years Ended September 30, 2010 and 2009

5. PROPERTY AND EQUIPMENT

2010			
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 143,908	\$ -	\$ 143,908
Office equipment and furniture	101,660	56,903	44,757
Machinery and equipment	1,580,081	216,392	1,363,689
Vehicles	231,089	38,487	192,602
	\$ 2,056,738	\$ 311,782	\$ 1,744,956

2009			
	Cost	Accumulated Amortization	Net Book Value
Land	\$ 90,410	\$ -	\$ 90,410
Office equipment and furniture	85,697	22,483	63,214
Machinery and equipment	60,062	7,109	52,953
Vehicles	81,380	13,625	67,755
Assets under construction	841,343	-	841,343
	\$ 1,158,892	\$ 43,217	\$ 1,115,675

During the year, amortization of \$268,565 (2009 - \$38,604) was recognized of which \$8,547 (2009 - \$9,175) was charged to operations and \$260,018 (2009 - \$29,429) was charged to mineral property interest.

6. ACQUISITION OF BONASIKA LTD.

In November 2008, the Company acquired all of the outstanding shares of Bonasika by issuing 9,000,000 common shares to the shareholders of Bonasika. Bonasika holds 100% of GINMIN of Georgetown, Guyana, which is the holder of 100% of Rafters of Georgetown, Guyana. GINMIN is the holder of the Bonasika mining license, the Waratilla-Cartwright prospecting license, and the Essequibo-Demerara ("Esse-Dem") permission for geophysical and geological survey, all in Guyana, issued by the Guyana Geology and Mines Commission and the Minister of Mines of Guyana. Rafters is the holder of the land titles of areas located within the Essequibo license.

The fair value of the purchase consideration of \$8,100,000 was allocated to the underlying assets and liabilities based on their fair values at the date of acquisition. Total consideration of \$8,100,000 exceeded the carrying value of the net assets acquired by \$8,097,603, which was allocated to the carrying value of mineral property interests.

FIRST BAUXITE CORPORATION
Notes to Consolidated Financial Statements
Years Ended September 30, 2010 and 2009

6. ACQUISITION OF BONASIKA LTD. (Continued)

The fair value of the assets acquired and liabilities incurred from Bonasika were as follows:

Current assets	\$ 452,184
Capital assets	182,331
Mineral property interests	11,618,646
Current liabilities	(2,191,661)
Future income tax liability	(1,961,500)
Net assets acquired	\$ 8,100,000
Fair value of share consideration	\$ 8,100,000

The Company expensed acquisition costs of \$125,731 in 2009.

7. MINERAL PROPERTY INTEREST

(a) Bonasika Property

The Company is the holder of the following mineral titles in Guyana issued by the Guyana Geology and Mines Commission and the Minister of Mines of Guyana:

- (i) The Bonasika Mining License dated May 7, 2001 valid until May 7, 2016 with an option to renew for further seven years;
- (ii) The Waratilla Cartwright Prospecting License dated January 20, 2006, expiring January 19, 2011. The Company has applied for a one year extension of this license; and
- (iii) The Esse-Dem permission for Geophysical and Geological Survey dated September 6, 2007, expiring September 6, 2012.

The Company also holds an Environmental Permit for the Bonasika 1, 2 and 5 blocks, granted on October 15, 2004 valid until October 31, 2009. The Company is currently awaiting approval from regulatory authorities to extend the expiry date.

By Letter of Understanding ("LOU") dated May 23, 2008 and subsequently amended on May 23, 2009 and June 29, 2010, the Company entered into an agreement with Rio Tinto Mining and Exploration Limited ("Rio Tinto"), covering the Esse-Dem bauxite exploration project in Guyana, excluding the Bonasika Mining License and the Waratilla-Cartwright Prospecting License (the "JV Property"). Under the terms of the agreement, Rio Tinto has been granted an option to earn a 51% interest in the JV Property by funding 100% of exploration expenditures totaling US\$8,000,000 within four years. Rio Tinto must incur US\$350,000 (the "Initial Commitment") in exploration expenditures by December 31, 2008 (incurred), an additional US\$300,000 by December 31, 2009 (incurred) and thereafter at least US\$1,000,000 in each subsequent calendar year. Once Rio Tinto has earned its 51% interest and within 90 days from that time, Rio Tinto has the right to earn a further 24% (75% in aggregate) interest by funding a further US\$50,000,000 in the exploration and development of the JV Property.

FIRST BAUXITE CORPORATION
Notes to Consolidated Financial Statements
Years Ended September 30, 2010 and 2009

7. MINERAL PROPERTY INTEREST (Continued)

(a) Bonasika Property (Continued)

On each of the first to fourth anniversaries of execution of this LOU, Rio Tinto will have the right to acquire 2,000,000 common shares of the Company at a 10% discount to the volume-weighted average closing price on the ten days prior to that anniversary date. Dilution clauses will apply during the joint venture period and any party diluting itself to 10% or under, this interest will be converted to a 1.5% gross royalty. Either party will have the right at any time to buy down any royalty interest held by the other party, for a fixed price of US\$25,000,000 for every 0.5%.

(b) Mineral property interest costs and expenditures incurred for the Bonasika property are as follows:

	2010	2009
Acquisition costs		
Balance, beginning of year	\$ 11,618,646	\$ -
Additions during the year:		
Issuance of shares (notes 6 and 9(b))	-	11,618,646
Balance, end of year	11,618,646	11,618,646
Exploration costs		
Balance, beginning of year	2,191,128	-
Additions during the year:		
Amortization	260,018	29,429
Assays	408,913	221,177
Camp costs	795,076	118,552
Drilling, excavating and trenching	1,079,632	935,943
Consultants and report	2,993,595	247,450
Labour	362,670	94,039
Rental equipment and lease payments	130,545	411,315
Repair and maintenance	208,266	32,258
Surveying	116,358	84,686
Travel	104,879	16,279
	6,459,952	2,191,128
Balance, end of year	8,651,080	2,191,128
Mineral Property Interest	\$ 20,269,726	\$ 13,809,774

Realization

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

FIRST BAUXITE CORPORATION
Notes to Consolidated Financial Statements
Years Ended September 30, 2010 and 2009

7. MINERAL PROPERTY INTEREST (Continued)

Title

Although the Company has taken steps in Guyana to ensure the title to mineral property interests in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may 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.

Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

8. CONVERTIBLE NOTES PAYABLE

During the year ended September 30, 2009, as amended September 30, 2010 and January 19, 2011, the Company entered into a Note Purchase Agreement with Pacific Road Resources Funds ("Pacific"). The amendments restate certain terms of the Note Purchase Agreement to make them consistent with the terms in the convertible loan facility with Resource Capital Fund V L.P. ("RCF") (note 17(b)). Pacific provided initial financing of \$8,000,000 ("Phase 1 Financing") and retained an option to a further US\$20,000,000 ("Phase 2 Financing") upon completion of a Definitive Feasibility Study. In consideration for the Phase 1 Financing, the Company issued to Pacific two convertible notes as follows:

- \$3,000,000, interest-free, unsecured, maturing on June 26, 2014;
- \$5,000,000, interest-free, unsecured, maturing on July 23, 2014; and
- Convertible into common shares at any time at \$0.83 per share.

The Company paid a management fee of 3.75% of the gross proceeds of Phase 1 Financing, finder's fees to two finders of 3.75% of the gross proceeds of the subscription and warrants equal to 7% of the number of common shares issuable upon conversion of the Phase 1 Financing notes.

In consideration for the Phase 2 Financing, the Company has agreed to issue to Pacific unsecured notes without interest maturing in five years and convertible into common shares of the Company any time at a price equal to the greater of:

- (a) the maximum discount permitted by the TSX Venture Exchange ("TSX-V"), but in any event not less than a 20% discount to the volume-weighted average closing price of the Company's common shares on the TSX-V for the 20 trading days preceding the day on which the Pacific exercise their option to acquire the second phase notes; and

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Notes to Consolidated Financial Statements
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8. CONVERTIBLE NOTES PAYABLE (Continued)

- (b) \$1.245, provided that,
- (i) the Phase 2 Financing conversion price will not be greater than \$2.00 per share;
 - (ii) the Phase 2 Financing conversion price will be reduced as necessary to ensure that the common shares issuable on conversion of the Phase 2 Financing notes will comprise not less than 11.5% of the Company's common shares then outstanding calculated on a fully diluted basis following the issuance of the Phase 2 Financing notes based on the Phase 2 Financing conversion price; and
 - (iii) the Phase 2 Financing conversion price will not be reduced below the Phase 1 Financing conversion price in which case Pacific will have the right to purchase additional notes on the same terms and conditions as the Phase 2 Financing notes so that the common shares issuable on conversion will equal 11.5% of the Company's then issued and outstanding common shares calculated on a fully diluted basis.

The Company will pay a management fee in the amount of 3.5% of the gross proceeds, finder's fees in the amount of 3.5% of the gross proceeds and warrants equal to 7% of the number of common shares issuable upon conversion of Phase 2 Financing notes.

Upon completion of Phase 2 Financing, Pacific will have the right to appoint an additional nominee to the Board of Directors of the Company.

As long as Pacific continues to hold all of the Phase 1 Financing notes (or common shares issued on conversion) and, if applicable, the Phase 2 Financing notes (or common shares issued on conversion), Pacific will have the right to participate in future financings by the Company, and to purchase any amount of securities in such financings subject to the Company's existing obligations to third parties, for a period of three years from June 3, 2009.

The fair value of the debt component of the Phase 1 Financing was estimated to be \$4,856,000 by calculating the net present value with the following assumptions:

Principal	\$8,000,000
Payments	\$0
Discount rate	10.5%
Term	5 years

The fair value of the equity component was estimated to be \$4,775,789 using the Black-Scholes option pricing model with the following assumptions:

Expected life	5 years
Volatility	56%
Risk-free interest rate per annum	2.49%
Dividend	0%

Based on the relative fair values of the two components, \$4,020,752 was allocated to the debt component and \$3,979,248 was allocated to the equity component.

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8. CONVERTIBLE NOTES PAYABLE (Continued)

The Company incurred \$924,025 of transaction costs in connection with the issuance of the convertible notes. These financing costs include finder's fees of \$523,581, loan management fees of \$300,000, and legal and filing fees of \$100,444. Included as finder's fees are warrants issued with a fair value of \$223,581, calculated using the Black-Scholes option pricing model.

The transaction costs were allocated as to \$459,616 to the equity component and \$464,409 to the debt component of the convertible note payable based on their relative fair values.

Pacific has also agreed to cause one of its two nominees on the Board to resign upon appointment of the RCF director and a mutually acceptable seventh director to act as independent chair of the Board and Pacific will retain the right to have one director appointed to the Board; Pacific will have the right to appoint a second director if Pacific holds 30% or more of the common shares of the Company, calculated on a fully diluted basis, and in the event that RCF ceases to be entitled to a director, and Pacific exercises the Phase 2 Financing in whole or in part, then Pacific will have the right to appoint that number of nominees that results in representation of Pacific on the Board that is at least proportional to the total number of common shares held by Pacific calculated on a fully diluted basis.

Additionally, pursuant to the RCF agreement and the Note Purchase Agreement, if either RCF or Pacific does not exercise in full its right to purchase additional notes of the Company in the aggregate principal amount of US\$20,000,000, the other party will have the right to purchase additional notes, up to a maximum aggregate principal amount of the notes purchased, as between RCF and Pacific, of US\$40,000,000.

The effective interest rate of the convertible loan was calculated to be 17.60% per annum. Accordingly, the Company has accreted \$651,965 (2009 - \$135,982) to interest expense for the year ended September 30, 2010.

Proceeds from Phase 1 Financing	\$ 8,000,000
Less: Fair value of equity component	(3,979,248)
	4,020,752
Financing costs incurred	924,025
Less: Portion attributed to equity component	(459,616)
	464,409
Proceeds, net of financing costs	\$ 3,556,343

	2010	2009
Balance beginning of the year	\$ 3,692,325	\$ -
Allocation of debt component	-	3,556,343
Accretion of interest	651,965	135,982
Balance at the end of the year	\$ 4,344,290	\$ 3,692,325

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9. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued

During the year ended September 30, 2009:

(i) On November 17, 2008, the Company issued 9,000,000 common shares for the acquisition of Bonasika. The common shares were valued at \$0.90 per share, the market price of the shares on the date of issuance. In connection with this issuance of shares, the Company paid \$85,312 in finders' fees.

(ii) In April 2009, the Company completed a non-brokered private placement of 1,520,000 units at a price of \$0.70 per unit, for gross proceeds of \$1,064,000, the fair value of the shares based on the market value on the closing date. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$1.00 for a period of two years. The estimated fair value of the warrants was \$134,579. Based on the relative fair values of the equity instruments issued, \$944,532 was attributed to the common shares and \$119,468 was attributed to the warrants. In connection with this private placement, the Company paid \$74,480 in finders' fees.

(iii) In July 2009, the Company completed a non-brokered private placement of 1,378,530 units at a price of \$0.83 per unit, for gross proceeds of \$1,144,180, the fair value of the shares based on the market value on the closing date. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$1.00 on or before July 31, 2010 and at a price of \$1.10 on or before July 31, 2011. The estimated fair value of the warrants was \$220,195. Based on the relative fair values of the equity instruments issued, \$959,522 was attributed to the common shares and \$184,658 was attributed to the warrants. In connection with this private placement, the Company paid \$38,680 in finders' fees.

(c) Escrowed shares

As at September 30, 2010, a total of 1,357,502 (2009 - 4,072,502) common shares issued to directors and officers of the Company are being held in escrow. The shares remaining in escrow were released in December 2010.

(d) Stock options

The Company has a stock option plan (the "Plan") whereby the maximum number of common shares the Company may issue under the Plan will not exceed 8,036,000, being 20% of common shares outstanding at the time when the Plan was adopted on April 17, 2009. The Company has granted share purchase options to directors and officers of the Company to purchase common shares of the Company. These options are granted with an exercise price equal to the market price of the Company's stock on the date of grant.

FIRST BAUXITE CORPORATION
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9. SHARE CAPITAL (Continued)

(d) Stock options (Continued)

A summary of the stock options activities is as follows:

	Options	Exercise Price
Balance, September 30, 2008	3,260,000	\$ 0.27
Granted	995,000	\$ 0.80
Exercised	(150,000)	\$ 0.15
Cancelled	(300,000)	\$ 0.60
Balance, September 30, 2009	3,805,000	\$ 0.39
Granted	925,000	\$ 0.98
Forfeited	(30,000)	\$ 0.80
Expired	(100,000)	\$ 0.60
Exercised	(1,440,000)	\$ 0.18
Balance, September 30, 2010	3,160,000	\$ 0.65

During the year ended September 30, 2010:

- In May 2010, the Company granted 925,000 options to directors, officers, consultants and employees of the Company with an exercise price of \$0.98 per share expiring May 19, 2015 to be vested 33% every four months after the date of grant.

During the year ended September 30, 2009:

- On February 12, 2009, the Company granted 995,000 options to directors, officers, consultants and employees of the Company with an exercise price of \$0.80 per share expiring February 14, 2014. All options vested immediately.

Stock options outstanding and exercisable at September 30, 2010 are as follows:

Expiry Date	Number of Options	Exercise Price	Exercisable
December 10, 2012	670,000	\$ 0.15	670,000
January 2, 2013	600,000	\$ 0.45	600,000
February 14, 2014	965,000	\$ 0.80	965,000
May 19, 2015	925,000	\$ 0.98	305,250
	3,160,000		2,540,250
Weighted average remaining contractual life in years	3.28		2.95

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9. SHARE CAPITAL (Continued)

(e) Stock options (Continued)

Stock options outstanding and exercisable at September 30, 2009 were as follows:

Expiry Date	Number of Options	Exercise Price	Exercisable
February 1, 2010	200,000	\$ 0.60	200,000
December 10, 2012	2,010,000	\$ 0.15	2,010,000
January 2, 2013	600,000	\$ 0.45	600,000
February 14, 2014	995,000	\$ 0.80	995,000
	3,805,000		3,805,000
Weighted average remaining contractual life in years	3.37		3.37

The total calculated fair value of stock-based compensation for the years ended September 30, 2010 and 2009 would be allocated in the statements of operations as follows:

	2010	2009
Salaries	\$132,750	\$111,126
Investor relations	103,250	-
Management and administration fees	114,849	308,200
Total	\$350,849	\$419,326

Certain options granted by the Company vest over multiple periods. The Company recognized compensation expense based on vesting terms. As at September 30, 2010, \$199,425 remains to be expensed during the year to end September 30, 2011.

The fair value of the stock options used to calculate compensation expense was estimated using the Black-Scholes option pricing model with the following weighted average assumptions and fair values:

	2010	2009
Risk-free interest rate	2.28%	2.08%
Expected dividend yield	-	-
Expected stock price volatility	73%	56%
Expected life of options	5 years	5 years
Grant date fair value	\$0.59	\$0.41

FIRST BAUXITE CORPORATION
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9. SHARE CAPITAL (Continued)

(e) Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2008	1,500,000	\$ 0.90
Issued	2,123,964	\$ 0.98
Balance, September 30, 2009	3,623,964	\$ 0.95
Exercised	(1,596,000)	\$ 0.90
Balance, September 30, 2010	2,027,964	\$ 0.99

Warrants outstanding at September 30, 2010 have a remaining contractual life of 0.71 years and are as follows:

Number of Warrants	Exercise Price	Expiry Date
760,000	\$ 1.00	April 14, 2011
216,867	\$ 0.83	June 26, 2011
361,832	\$ 0.83	July 23, 2011
689,265	\$ 1.10	July 31, 2011
2,027,964		

Warrants outstanding at September 30, 2009 have a remaining contractual life of 1.26 years and were as follows:

Number of Warrants	Exercise Price	Expiry Date
1,500,000	\$ 0.90	May 10, 2010
760,000	\$ 1.00	April 14, 2011
253,012	\$ 0.83	June 26, 2011
421,687	\$ 0.83	July 23, 2011
689,265	\$ 1.00/1.10	July 31, 2010/2011
3,623,964		

During the year ended September 30, 2010, the Company recognized fair value of \$nil (2009 - \$527,707) for warrants issued. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions and fair value:

	2010	2009
Risk-free interest rate	n/a	1.19%
Expected dividend yield	n/a	-
Expected stock price volatility	n/a	56%
Expected life of warrants	n/a	2 years
Weighted average fair value of warrants issued	n/a	\$0.41

FIRST BAUXITE CORPORATION
Notes to Consolidated Financial Statements
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10. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property interests and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes components of long-term liabilities and shareholders' equity.

	2010	2009
Convertible notes payable	\$ 4,344,290	\$ 3,692,325
Share capital	15,531,828	13,126,422
Contributed surplus	1,661,558	2,025,435
Equity component of convertible note payable	3,519,632	3,519,632
	\$ 25,057,308	\$ 22,363,814

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new debt or shares, enter into joint venture property arrangements, acquire or dispose of assets.

Management reviews the capital structure on a regular basis to ensure that the Company's capital management objectives are achieved. The Company's capital is not subject to any external restrictions. There were no changes to the Company's capital management approach during the year ended September 30, 2010.

11. FINANCIAL RISK MANAGEMENT

The Company has classified its financial instruments as follows:

- Cash and cash equivalents and restricted cash – as held-for-trading
- Other receivables – as loans and receivables
- Due from related parties – as loans and receivables
- Accounts payable and accrued liabilities – as other financial liabilities
- Due to related parties – as other financial liabilities
- Convertible notes payable – as other financial liabilities.

The carrying values of cash and cash equivalents, receivables and advances, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these financial instruments.

The fair values of amounts due from or to related parties have not been disclosed as their fair values cannot be reliably measured since the parties are not at arm's length.

The fair value of the convertible notes payable at September 30, 2010, is approximately \$5,501,000.

FIRST BAUXITE CORPORATION
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11. FINANCIAL RISK MANAGEMENT (Continued)

The Canadian Institute of Chartered Accountants' Handbook Section 3862, "Financial Instruments – Disclosures", establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

- 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).

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

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 73,947	\$ -	\$ -	\$ 73,947
Restricted cash	\$ 115,000	\$ -	\$ -	\$ 115,000
Other receivables	\$ 154,711	\$ -	\$ -	\$ 154,711

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

(a) Credit risk

Credit risk to the Company is the risk that a counterparty will be unable to pay amounts owed to the Company. The Company's exposure to credit risk is summarized below:

(i) Cash and cash equivalents

Credit risk is mitigated by ensuring the majority of the financial assets are placed with a major Canadian financial institution with strong investment-grade ratings by a primary ratings agency. The credit risk of cash and cash equivalents has been assessed as low.

(ii) Other receivables

Credit risk has been assessed as low by management as the Company has strong working relationships with the parties involved.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At September 30, 2010, the Company had obligations due as follows:

- (i) accounts payable and accrued liabilities of \$343,724 (2009 - \$547,868) due within 90 days of year-end;
- (ii) amounts due to related parties of \$785,904 (2009 - \$362,313) with no stated terms of repayment; and
- (iii) convertible debt with a value at maturity of \$8,000,000 (2009 - \$nil) due in 2014.

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11. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

Subsequent to year-end, the Company raised funds to finance its work programs and meet administrative overhead and commitments for the next twelve months (notes 17(a) and (b)).

(c) 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 comprises two types of risk: interest rate risk and foreign currency risk.

(i) Interest rate risk

The Company's cash equivalents consist of cash held in GICs that earn interest at variable interest rates. The Company's sensitivity analysis indicates that fluctuations in market rates do not have a significant impact on their fair values as of September 30, 2010. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the liquidity and the preservation and safety of capital.

(ii) Foreign currency risk

The Company is primarily exposed to currency fluctuations related to cash balances held in United States (US) and Guyana dollars and receivables, payables and amounts due to related parties held in Guyana dollars. The Company has net liabilities of \$179,339 denominated in US dollars and net liabilities of \$261,033 denominated in Guyana dollars at September 30, 2010.

Management believes that the exchange rate between the Canadian dollar and Guyana dollar could fluctuate approximately 25% within the next 12 months. Based on the September 30, 2010 balance, an increase or decrease of 25% in the exchange rate between the Canadian and Guyana dollars would result in an increase or decrease of \$65,250 in the net income of the Company.

Management believes that the exchange rate between the Canadian dollar and US dollar could fluctuate by 10% within the next 12 months. Based on the September 30, 2010 balance, an increase or decrease of 10% in the exchange rate between the Canadian and US dollars would result in an increase or decrease of \$17,933 in the net income of the Company. The Company does not actively manage this risk.

12. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2010, the Company had the following related party transactions:

- (a) paid \$22,500 (2009 - \$30,000) for management fees and \$4,500 (2009 - \$6,000) for administration expenses to a company controlled by a former director;
- (b) recorded \$31,008 (2009 - \$8,462) as reimbursement for office rent and expenses from a company with common directors. As of September 30, 2010, a balance of \$8,294 (2009 - \$2,650) was due from this company;

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12. RELATED PARTY TRANSACTIONS (Continued)

- (c) recorded \$79,247 (2009 -\$393,608) for equipment rental to a company controlled by a director, purchased equipment from this company for \$240,031 and was advanced \$100,769 from this director. At September 30, 2010, \$770,856 (2009 - \$356,643) was payable to the director or the company controlled by this director;
- (d) incurred \$37,462 (2009 - \$82,243) to directors, officers and a company controlled by a director for reimbursement of expenses;
- (e) paid \$121,700 (2009 - \$42,600) for accounting fees to a company controlled by an officer. At September 30, 2010, \$14,694 (2009 - \$5,670) was payable to that company;
- (f) paid \$39,583 (2009 - \$36,667) for investor relations services to a company controlled by a relative of a director;
- (g) paid \$18,479 (2009 - \$34,500) for office rent to a relative of a director of the Company; and
- (h) paid \$41,421 (2009 - \$nil) for consulting services to a company controlled by a director.

All transactions were measured by the exchange amount, which is the amount agreed upon by the transacting parties. The amounts due to and from related parties are non-interest-bearing, unsecured and have no stated terms of repayment.

13. COMMITMENTS

The Company is committed to the following payments related to office premises rental payments and equipment lease as follows:

Year	Amount
2011	\$ 73,520
2012	53,520
2013	53,520
	\$ 180,560

- (a) The Company entered into a five-year lease agreement expiring in July 2013, for its head office premises in Vancouver, British Columbia, Canada. The Company is committed to payments of \$50,400 per year.
- (b) The Company entered into a five-year lease agreement expiring in September 2013 for a photocopier. The Company is committed to payments of \$3,120 per year.

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14. SUPPLEMENTAL CASH FLOW INFORMATION

	2010	2009
Income taxes paid	\$ -	\$ -
Interest paid	\$ 798	\$ 348
Amortization included in mineral property interest	\$ 259,850	\$ 29,429
Mineral property interest expenditures included in accounts payable	\$ 74,042	\$ 215,479
Property and equipment expenditures included in due to related party	\$ 240,031	\$ -
Property and equipment expenditures included in accounts payable	\$ -	\$ 239,997
Shares issued for acquisition of Bonasika	\$ -	\$ 8,100,000
Value attributed to warrants issued in private placement	\$ -	\$ 304,126
Advances to Bonasika prior to acquisition	\$ -	\$ 967,558
Fair value of warrant exercised	\$ 471,146	\$ -
Fair value of stock options exercised	\$ 243,580	\$ 17,131
Fair value of equity component of convertible debt	\$ -	\$ 3,979,248
Fair value of finder's warrants issued on convertible debt	\$ -	\$ 223,581
Fair value of equity component of finder's warrants issued on convertible debt	\$ -	\$ 112,195

15. SEGMENTED DISCLOSURE

	2010		
	Canada	Guyana	Total
Cash and cash equivalents	\$ 27,895	\$ 46,052	\$ 73,947
Restricted cash	115,000	-	115,000
Prepaid expenses and deposits	202,113	156,115	358,228
Property and equipment	29,051	1,715,905	1,744,956
Mineral property interests	-	20,269,726	20,269,726
Other assets	167,345	3,548	170,893
Total assets	\$ 541,404	\$ 22,191,346	\$ 22,732,750

	2009		
	Canada	Guyana	Total
Cash and cash equivalents	\$ 6,638,932	\$ 356,175	\$ 6,995,107
Restricted cash	46,000	-	46,000
Prepaid expenses and deposits	47,128	35,027	82,155
Property and equipment	33,785	1,081,890	1,115,675
Mineral property interests	-	13,809,774	13,809,774
Other assets	109,563	4,820	114,383
Total assets	\$ 6,875,408	\$ 15,287,686	\$ 22,163,094

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16. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates of 28.88% (2009 - 30.25%) with the reported taxes is as follows for the years ended September 30:

	2010	2009
Net loss for the year	\$ (2,343,285)	\$ (1,423,016)
Expected income tax recovery	(676,400)	(424,400)
Stock-based compensation	101,300	126,800
Implied interest on convertible notes	188,300	41,100
Acquisition costs	-	38,000
Other temporary differences	96,400	35,200
Mineral property expenditures deducted for tax purposes	(1,884,500)	(569,000)
Adjustment due to effective rate attributable to income taxes of other countries	(384,200)	(88,200)
Change in timing differences	2,254,000	398,800
Change in future income taxes resulting from statutory rate reduction	79,500	95,000
Change in valuation allowance	225,600	346,700
	\$ -	\$ -

The significant components of the Company's future income tax assets and liabilities are as follows:

	2010	2009
Tax value in excess of book value of property and equipment	\$ 103,100	\$ 13,000
Non-capital losses carried forward	4,363,700	1,624,100
Net capital losses carried forward	19,000	19,000
Tax value in excess of book value of share issuance costs	168,400	226,900
	4,654,200	1,883,000
Valuation allowance	(921,500)	(426,800)
Future income tax assets	3,732,700	1,456,200
Book value in excess of tax value of mineral property interests	(5,694,200)	(3,417,700)
Future income tax liabilities	\$ (1,961,500)	\$ (1,961,500)

Future tax benefits that may arise as a result of these amounts have been offset by a valuation allowance reflecting the Company's estimate that these amounts, more likely than not, will not be realized.

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16. INCOME TAXES (Continued)

The Company has available non-capital losses that may be carried forward to apply against future years' income for income tax purposes in certain jurisdictions. The Company has accumulated Canadian non-capital tax losses of \$3,463,600 and Guyana non-capital tax losses equivalent to \$9,993,800. While the Guyana non-capital tax losses do not expire, the Canadian non-capital tax losses expire as follows:

Available to	Canada
2014	\$ 42,600
2015	42,500
2026	59,200
2027	95,900
2028	370,400
2029	1,454,600
2030	1,398,400
	\$ 3,463,600

The Company also has capital losses of \$154,000 to apply against Canadian capital gains in future years.

17. SUBSEQUENT EVENTS

- (a) In October 2010, the Company closed two tranches of a non-brokered private placement of 4,864,458 units at \$0.83 per unit for gross proceeds of \$4,037,500. Each unit consists of one common share and one-half of one transferable share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$1.075 for a period of 24 months from the closing date. The Company paid transaction and finders' fees of \$171,500 in cash and 186,505 warrants, entitling the holder thereof to acquire common shares of the Company at a price of \$1.075 per share for a period of 24 months. In addition, the Company issued 36,145 units to the finders having the same terms as the units issued in the private placement.
- (b) On November 16, 2010, the Company entered into a binding commitment letter with RCF for a two tranche convertible loan facility of up to US\$28,000,000. In January 2011, the Company closed the first tranche of \$8,000,000 principal amount of unsecured convertible notes (having a five-year term, without interest), which notes will be convertible into common shares of the Company at a conversion price of \$0.83. In connection with the first tranche the Company paid RCF an establishment fee of \$300,000. Pursuant to the first tranche financing, RCF has the right to appoint one nominee to the board of directors of the Company. Upon completion of certain conditions precedent, RCF will have an option to subscribe for additional convertible notes in the aggregate principal amount of US\$20,000,000, which notes will be convertible into common shares at a conversion price equal to the greater of:
- the maximum discount permitted by the TSX-V, but in any event not less than a 20% discount to the volume-weighted average closing price of the Company's common shares on the TSX-V for the 20 trading days preceding the day on which the Subscribers exercise their option to acquire the second phase notes; and

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Years Ended September 30, 2010 and 2009

17. SUBSEQUENT EVENTS (Continued)

(b) (Continued)

- \$1.245 (150% of the conversion price for the first phase notes), provided that,
 - (i) the second phase conversion price will not be greater than \$2.00 per share; and
 - (ii) the second phase conversion price will be reduced as necessary to ensure that the common shares issuable on conversion of the Phase 2 Financing notes will comprise not less than 11.5% of the Company's common shares calculated on a fully diluted basis following the issuance of the Phase 2 Financing notes based on the Phase 2 Financing conversion price.

In addition, on January 19, 2011, the Company amended its Note Purchase Agreement with Pacific to conform the agreement with the rights granted to RCF (note 8).

(c) In October 2010, the Company acquired all of the outstanding shares of Bauxite Corporation of Guyana Inc. ("BCGI") for consideration of 2,000,000 common shares and cash of US\$100,000. BCGI is the holder of the two Tarakulli prospecting licenses issued by the Guyana Geology and Mines Commission and the Minister of Mines of Guyana. Additionally, the Company will provide to the BCGI shareholders a 1.5% net profit interest (the "NPI") with regard to minerals produced from the Tarakulli Property. The Company will have the right to purchase all of the NPI in exchange for a US\$2,000,000 cash payment to the former BCGI shareholders.

The acquisition will be accounted for as an acquisition of the underlying assets and liabilities of BCGI. The fair value of the purchase consideration of \$1,718,544 was allocated to the underlying assets and liabilities based on their fair values at the date of acquisition. Total consideration of \$1,718,544 exceeded the carrying value of the net assets acquired by \$1,540,096, which was allocated to the carrying value of mineral property interests.

The preliminary estimate of the fair value of the assets acquired and liabilities incurred from BCGI is as follows:

Mineral property interests	\$ 2,273,333
Current liabilities	(41,424)
Future income tax liability	(513,365)
Net assets acquired	\$ 1,718,544
Fair value of share consideration	\$ 1,718,544

(d) On November 3, 2010, the Company granted incentive stock options to certain directors for the purchase of up to 300,000 common shares of the Company at a price of \$0.83 per share for a five-year period.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.