



**COMMANDER
RESOURCES LTD.**

ANNUAL REPORT 2010



CMD:TSX V

www.commanderresources.com



COMMANDER RESOURCES LTD.

Dear Fellow Shareholders:

As this is my first opportunity to share with you our Company's balance sheet, I would also like to reintroduce myself. In mid-June, 2010 I took over the helm as President and CEO of Commander Resources after more than 30 years with Teck Resources Ltd., and three years with Baja Mining Corp. as Vice President, Project Development and Operations. I have been a shareholder of Commander for 7 years and look forward to guiding the continued success of our Company, sharing your vision of the opportunity that is available for our diversified portfolio of projects.

I'd like to thank the outgoing President, Ken Leigh, for his guidance, support and mentorship over the summer of 2010. My transition to the corner office was smooth because he and the other board members and management represent the values and knowledge that I believe are essential in a public company today – professionalism, integrity and experience.

Commander's mandate of diversification of commodities and leveraging of our portfolio of high quality assets was proven throughout the year with a number of transactions being completed:

- An aggressive exploration program, funded by AngloGold Ashanti, was successfully completed on the Company's wholly owned Baffin Island gold project in Nunavut. More than \$6 million was spent on the property as we continue to advance our knowledge of the geology and structure of this very prospective region.

We will be returning to Baffin Island this summer with a focused geophysical program to follow up on the encouraging results at Kanosak, and with a first look at new properties acquired in 2009.

- A deal to sell of up to 100% of the Orion Gold deposit through a share-equity deal with Maritime Resources Corp. culminated with the listing of Maritime in October.

Drilling has now commenced on the Orion gold project by Maritime Resources and will include over 4,000 metres of diamond drilling. Commander continues to hold 50% of the property and is leveraged to the success of Maritime through the 12 million shares of Maritime that we now hold.

- A deal on the Company's Nepisiguit base metals project with Stratabound Minerals Corp. was finalized in September.

Drilling is ongoing on this property and significant intervals of high grade copper mineralization have been encountered at the Stewart copper prospect.

Commander continues to hold a large portfolio of prospects that are 100% owned by the Company. We are well positioned to benefit from the current interest in the two most interesting commodities, namely copper and gold. The price of both of these commodities appreciated substantially in 2010 and the forces that drove those increases are showing no signs of reversal in 2011. Political unrest in several areas of the globe, coupled with weakness in the US dollar, will underpin the record high price that we currently see for gold. Continued growth in the Chinese economy, along with declining production of some of the large South American mines, will anchor copper prices at levels that were unforeseen a few years ago.

In 2011 we look forward to advancing some of the projects in our portfolio that have excellent exposure to these high value commodities. The Storm copper project will be activated for the first time since we acquired it in 2008. This property has already yielded significant drill intercepts of high grade (up to 5%) copper. With copper prices that are now approximately 5 times higher than they were when it was first explored, we can now take a fresh look at the property with a different type of target in mind. Similarly the Olympic copper-gold property in the Yukon will see activity this year. It has been inactive since 2007 but we will reactivate it this year and obtain our first look at new anomalies there. We also look forward to getting on the ground again in Ontario. Our Sabin prospect, located in the Sturgeon Lake greenstone belt, will receive a fresh look in light of the gold mineralization that has been found by others in that region. This property has good road access and we can access it year-round (a welcome relief from the seasonal restrictions of the far north).

2011 is shaping up to be a very exciting year, with work occurring on at least six of our properties. I look forward to keeping you informed of the progress, and success, of these projects throughout the year.

Sincerely,

Eric Norton
President & CEO
April, 2011



**COMMANDER
RESOURCES LTD.**

Management Discussion and Analysis

For the Year Ended
December 31, 2010

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Description of Business

Commander Resources Ltd. ("Commander") is a company engaged in the acquisition and exploration of prospective gold, base metal, and uranium properties primarily in Canada. Commander is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol CMD.

Forward-Looking Information and Report Date

This Management Discussion and Analysis ("MD&A") may contain forward-looking statements that involve risks and uncertainties. When used in this MD&A, the words "anticipate", "believe", "estimate", "expect" and similar expressions are intended to identify such forward-looking statements. Readers are cautioned that these statements, which describe Commander's proposed plans, objectives, and budgets, may differ materially from actual results.

The following discussion and analysis of the financial position and results of operations for Commander is dated March 29, 2011 (the "Report Date") and should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2010 prepared in accordance with Canadian generally accepted accounting principles.

Summary for the Year Ended December 31, 2010.

Highlights for the year included:

- Commander completed the 2010 program of field work at the Baffin gold project. The program achieved the desired objectives of identifying the trend of mineralization at Malrok, and establishing Kanosak as a very large gold bearing system. The extent of the mineralization at Malrok remains open. Drilling at Kanosak established gold bearing mineralization over a 2.5km strike length and remains open in all directions.
- Commander received 12,000,000 common shares from Maritime Resources Corp. (formerly BMB Capital Corp.) in exchange for a 50% interest in the Green Bay Property, located in the King's Point area, Newfoundland. Trading of BMB resumed under the new name. Commander currently holds more than 50% of the shares of Maritime Resources. Two officers of Commander are also officers of Maritime.
- Commander entered into an option agreement with Stratabound Minerals Corp. providing Stratabound the right to earn an initial 60% interest in Commander's Nepisiguit and Stewart properties in New Brunswick. Drilling has been commenced by Stratabound Minerals Corp. on the Nepisiguit property.

Baffin Island Gold Project, Nunavut

Commander completed the drilling program for 2010 at the Baffin Island Gold Project. Reconnaissance drilling at Kanosak intersected zones of gold mineralization with locally high grades, while the final results from Malrok continued to define and enlarge the scope of the gold bearing structures. The widespread extent of gold mineralization confirms continuing potential for a significant gold discovery.

The 2010 drill program at the Baffin Gold Project had two objectives: 1) to extend the gold zone identified by drilling at Malrok in 2004; and 2) to initiate drilling at the newly discovered Kanosak prospect where significant high grade gold mineralization was identified over an extensive area on surface with channel and grab sampling in 2008 and 2009. The drilling at Kanosak tested a strike length of 1.1 km with 11 holes, while 2 further holes were stepped out 1.5 km to the north. Significant high grade intercepts were encountered in two, thick metasedimentary horizons. Both horizons are gently dipping, and the upper one is exposed at surface and is 20 to 30 m thick. The lower horizon, is parallel to the upper zone, and is approximately 50 metres beneath the upper zone. Quartz and arsenopyrite veins, which often host high grade gold concentrations cut through both target horizons. Significantly, the gold and the arsenopyrite are not restricted to the veins and gold is distributed throughout the two thick metasedimentary horizons.

Commander has been informed by AngloGold Ashanti of its intention to proceed with funding a 2011 exploration program on the Baffin Island Gold Project. The program and budget allocations are being designed and finalized in consultation with Anglo's technical team. The program will be operated by Commander and financed by AngloGold Ashanti under the terms of the \$20 million farm-in Joint Venture Agreement as announced on September 3rd, 2009.

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The parties were encouraged by the widespread gold bearing system discovered at the Kanosak prospect in 2010 and plan to develop further drill targets in this expansive area. The 2011 program will also focus on developing a pipeline of drill targets at the Ridge Lake and several other prospects by conducting further geophysical surveys. Additionally, extensive prospecting activities will be carried out on the large prospective project area including new claims that were staked in 2009. These claims consist of about 88,000 acres of land within favourable gold bearing Bravo stratigraphy that have had only preliminary examination by Commander. The staging of exploration from grass roots prospecting to advanced geophysical surveys and drilling is intended to yield a steady level of activity at the Baffin camp over a period of years.

Kanosak:

The Kanosak gold prospect was discovered by prospecting in 2007 and sampled by extensive channel sampling in 2009. The prospective gold bearing zone was identified as a corridor approximately 300 m wide by 3.5 km long which hosts high grade gold mineralization in outcrop and angular boulders. In 2009 a test Induced Polarization survey was conducted over the central portion of the zone. This survey defined a significant chargeability high closely related to the distribution of gold mineralization and associated arsenopyrite observed on surface.

Commander has received all assays from its 2010 exploration program on the Baffin Gold project, including results from the final five holes drilled on the Kanosak prospect and results from new surface discoveries. The table below summarizes significant results from drill holes completed at the Kanosak prospect in 2010.

Prospecting work in the Kanosak area discovered two new areas of gold mineralization; one between the Kanosak Main and Kanosak North prospects and significantly, one located 500 metres to the northeast of the Kanosak North prospect, which extends the Kanosak structural corridor to at least 4 kilometres. Added to the potential of this new area is the coincidence of the surface showings with a northeast trending, 300 metre wide by 1,800 metre long geophysical anomaly defined by the recently completed Induced Polarization (IP) survey.

The combination of the drill results and new prospecting discoveries demonstrate the potential of the trend to host significant gold mineralization. It is important to note that even in holes where no significant values of gold were noted, strongly anomalous gold contents up to 500 ppb (equivalent to 0.5 g/t Au) are present in two parallel zones.

The 2010 Kanosak drill holes were targeted mainly to test near-surface gold mineralization and IP targets over a wide area of the prospects. Only six of the holes were drilled on the 2009 test Induced Polarization (IP) survey area; the strongest, widest portions of the 2009 IP anomalies have not yet been tested.

Kanosak Prospecting Results:

Prospecting of the Kanosak Gold Prospect during 2010 continued to outline new areas of gold mineralization. The 2010 work extended the mineralized trend as gold mineralization and associated arsenopyrite was observed on surface between the Kanosak Main Zone and the North Zone. Fifteen grab samples were taken with five of the samples returning assay values that range from 1.30 g/t to 226.3 g/t gold. The highest grade sample was taken from an area of outcrop, and contained abundant visible gold. This mineralized area is particularly significant as it indicates that gold mineralization could be extensive in this poorly exposed area.

Arsenopyrite containing gold occurrences was observed primarily in outcrop 500 metres to the northeast of the Kanosak North Zone. Twelve grab samples were taken with five of the samples returning assay values ranging from 1.17 g/t to 5.35 g/t gold. This mineralization is significant since it corresponds to a northeast trending, 300 metre wide by 1,800 metre long anomaly defined by the recently completed IP survey. Moderate to very strong chargeability values 2 to 3 times stronger than the targets drilled this season define this anomaly.

Two other zones of arsenopyrite mineralization carrying gold were discovered both to the east and to the southwest of Kanosak. Sixty grab samples were taken with thirteen of the samples returning assay values that range from 1.23 g/t to 9.68 g/t gold.

Malrok:

The 2010 Malrok drill program was designed to test the direction and extent of the mineralized zones identified by drilling in 2004. A total of 19 holes were drilled in 2010, including 4 from the ice surface of Malrok Lake prior to an early breakup. The planned program included provision for 10 holes to be drilled from the ice as the 2004 results appeared to indicate that the mineralized

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silicate iron formation that hosts the gold was dipping in a south-east direction under the lake. Due to the early thaw this year, the program was unable to complete all of the ice based holes and additional land based holes were drilled to test the strike in southerly and north-east directions.

Drill hole MAL-10-58 returned a 3 metre interval grading 6.17 g/t Au, confirming the continuity of the well mineralized Malrok South zone. This 200 metre wide zone plunges easterly and is open into Malrok Lake. To the southeast, holes Mal-10-49 to Mal-10-53 and Mal-10-56 tested for extent of Malrok South for a further 400 metres to the southeast. These holes intersected narrow intervals of the iron formation with no significant gold values.

At Malrok North, hole Mal-10-57 was drilled to test for extension of the high grade zone identified by previous drilling. No significant values were encountered in this hole. This zone was to be tested initially by drilling further down plunge on the ice at Malrok Lake, however that testing was prematurely terminated due to early melting of the ice. Holes, Mal-10-54 and 55, were drilled 500 metres to the northeast; hole Mal-10-54 encountered a 2.6 metre interval grading 2.1 g/t Au while hole Mal-10-55 did not encounter the gold-bearing iron formation.

Part of the 2010 planned drill program was to test the large, circular Malrok structure with 6 to 8 drill holes to search for extensions of the gold bearing iron formations around the 3 kilometre diameter of the Malrok formation. These holes were to be based on defined structural and geophysical targets as well as geological / stratigraphic understanding in areas of extensive overburden and younger cover rocks. This drilling was not undertaken as the completed 19 drill hole program utilized all budgeted drilling for the 2010 program.

Orion Gold Project, Newfoundland

Commander sold 50% of its Orion gold deposit near Springdale, Newfoundland, to BMB Capital Corp. to be used as the qualifying transaction for a new TSX-Venture Exchange listing. In exchange, Commander received 12 million shares of the new company. A flow-through financing for \$750,000 was completed in September, and the new company was listed as Maritime Resources Corp. (MAE – TSX.V). There are currently a total of 22 million shares of Maritime outstanding. Work had started on the property, in the form of IP, EM and Magnetic Surveys and a 4,000 metre drill program started in November 2010. Orion currently has an Inferred Resource of 119,000 ounces of gold in a 710,000 tonne deposit average grading 5.2 g/t Au using a 3 g/t cut-off grade as defined in a 43-101 Technical Report published in July 2010. The mineralized zone is open in all directions and the drill program is expected to expand this resource. The deposit is located in an area of good infrastructure and labour, adjacent to the recently mined Hammerdown deposit and can be worked year round. Drilling commenced February 28, 2011.

Nepisiguit-Stewart Property, New Brunswick

In August 2010, Commander optioned the Nepisiguit property to Stratabound Minerals for shares of Stratabound and work commitments. Stratabound can earn an initial 60% interest in the property. Stratabound holds properties adjacent to the Nepisiguit property and has recently commenced drilling on Commander's property. The first drill target being tested is the Stewart Copper zone where drilling by Commander encountered wide intervals of strong copper mineralization. Intersections up to 20 metres grading 1.1% Cu and 4.5 metres grading 2.5% Cu, with significant cobalt values, were encountered. The Stewart Zone is located about 1.5 km north of Stratabound's Captain Copper zone. The Nepisiguit Property also hosts widespread zinc-lead-silver mineralization just north of Stratabound's recently announced high grade base metal drill intersections on their CNE property.

Commander has been advised that Stratabound has encountered significant intervals of high grade copper mineralization at the Stewart copper prospect on the Nepisiguit property. Hole STW-10-1 intersected 3.5 metres grading 2.07% copper. Hole STW-10-2 cut 89.5 meters grading 0.75% copper with high grade intervals up to 3.1% copper over 4 meters, and significant gold, silver and cobalt credits.

The program included geophysical surveys over approximately 20% of the Nepisiguit property which delineated a strong HLEM (MaxMin) anomaly at least 1,200 metres in length, coincident with IP chargeability and MEGATEM anomalies. The Stewart prospect is located along the same IP trend associated with Stratabound's Captain copper-cobalt deposit, situated 4.8 km to the south.

The EM responses at Stewart are stronger and longer than at the Captain deposit, and have not been adequately explained by the predominantly stringer and disseminated mineralization encountered to date. A gravity survey is planned to investigate whether massive sulphide mineralization may be present below the intersected stringer network.

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Stratabound can acquire up to 65% interest in this large (800 hectare) claim group from Commander over a period of five years or less.

Analysis of half-core samples was done by Eastern Analytical Limited of Springdale, Newfoundland. Stratabound has Quality Control and Quality Assurance protocols in place for drill core that include blank samples, duplicate samples, certified standards and third party check samples.

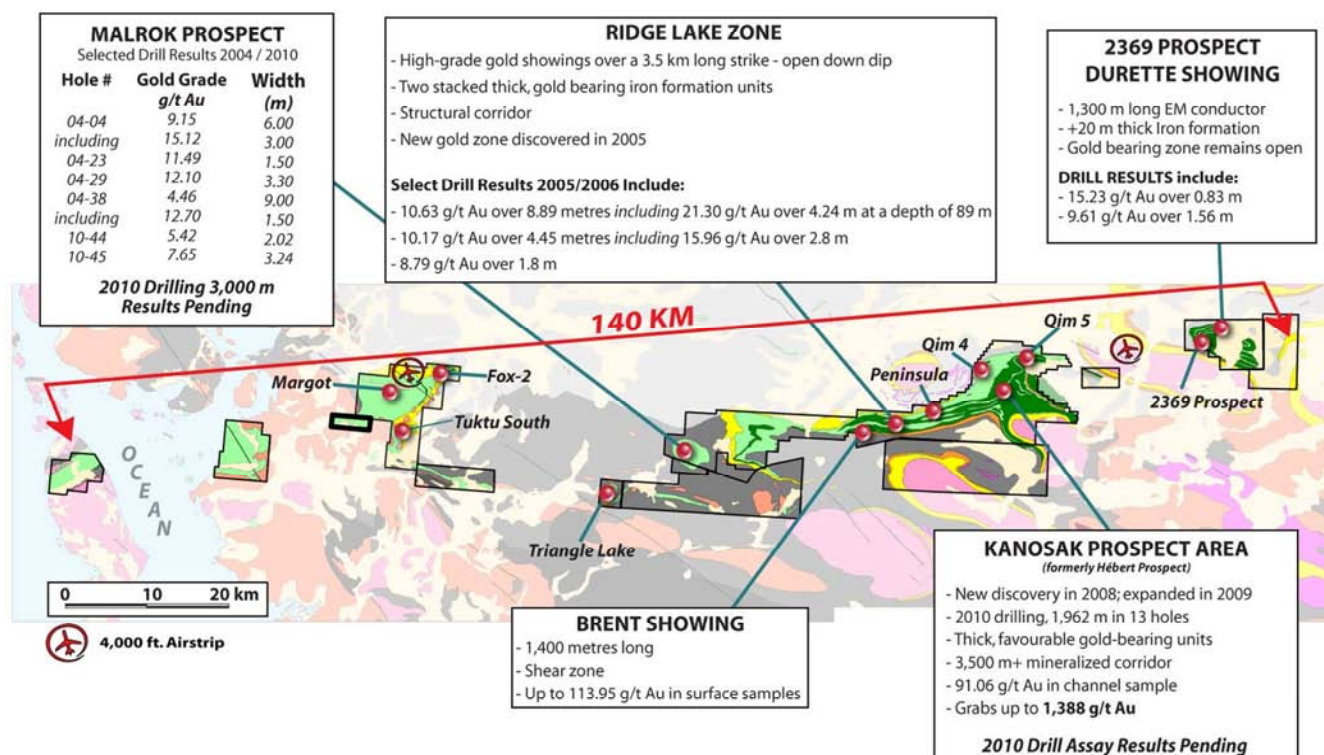
Active Projects

Baffin Island Gold Project, Nunavut

The Baffin Gold Project represents a district-scale gold belt with similar geological and genetic origins to the large Homestake district in South Dakota and the Morro Velho gold deposit in Brazil. To date the Baffin Project has yielded numerous gold prospect areas occurring over a strike length in excess of 100 kilometres. The property includes high-grade gold occurrences in at least 3 separate iron formation units, within shear zones and in quartz veins in younger granodiorite, gabbro, and metasedimentary units. In each of the different settings, gold occurs primarily as free gold, disseminated, within quartz veins and associated with arsenopyrite. The most advanced prospects are Malrok and Ridge Lake, where multiple shallow gold drill intercepts require follow-up. The Brent Shear Zone and the Kanosak Prospect Area are gold targets outside of the iron formation units. Kanosak was first found in 2007, expanded and enhanced by work completed in 2008, and further expanded with new discoveries in 2009. The first drilling program in 2010 consisted of 1,962 metres in 13 holes. Assays for these holes are awaited.

The project area has access to tidewater and is dotted with deep lakes providing access to water throughout the year. There are two “Distant Early Warning” (DEW line) radar stations located on the Property, one with an operational 4,000 foot airstrip. Commander engaged GeoVector Management Inc. of Ottawa to manage the field program in 2006, 2007, 2008, 2009 and 2010.

BAFFIN ISLAND GOLD PROJECT



The major prospects that constitute the Baffin project and recent work by Commander are described as follows:

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Qimmiq Property

Malrok, Ridge Lake, Brent, and Kanosak are located on the Qimmiq property along with several of the other gold prospect areas. In 2009, work was only completed on the Kanosak prospect area. In 2010, diamond drilling was completed on the Malrok Zone (3,597.5 metres in 19 holes) and the Kanosak prospect (1,962 metres in 13 holes).

Malrok

Diamond drilling at Malrok in 2004 (3,617 metres in 39 holes) and in initial 2010 drilling (3,597.5 metres in 19 holes – results waited for 10 holes) confirm the continuity of the iron formation with potential for high-grade gold zones. The Malrok zone is composed of structurally-thickened silicate iron formation units traced through surface sampling and drilling over a strike length of approximately 2 kilometres. The horizon varies in thickness from approximately 0.5 to greater than 9 metres. Surface samples returned high-grade gold assays of up to 212 g/t gold and drilling results down to 50 metres depth included 15.12 g/t gold over 3.0 metres and 12.1 g/t Au over 3.3 metres. The gold zone at Malrok is exposed at surface; the current drill data indicates that the zone is open to expansion along a predominant southeast or easterly plunge direction.

A summary of the diamond drilling in 2010 at the Malrok prospect can be found in the “Highlights” section above and will be further discussed in subsequent reports once all data has been received and interpreted.

Ridge Lake

The Ridge Lake Zone, located 30 kilometres east of Malrok, contains a 3.5 kilometre strike length of gold-bearing iron formation. Previous shallow drilling targeting a 1.3 kilometre portion of the trend defined a structurally-thickened gold-rich iron formation that is host to southwesterly plunging higher grade shoots. Better drill intercepts from these shoots included 10.63 g/t gold over 8.89 metres (including 21.30 g/t gold over 4.24 metres) at a depth of 89 metres down-dip from a high-grade surface outcrop containing 15.4 g/t gold over 1.9 metres. Other notable intercepts included 10.17 g/t gold over 4.45 metres (including 15.96 g/t gold over 2.85 metres) at a depth of 105 metres, 8.79 g/t gold over 1.80 metres, and 17.48 g/t gold over 2.15 metres. The mineralized system remains open and is at the stage where detailed close-spaced drilling is necessary to define the main gold shoots and identify the larger tonnage potential. Detailed structural interpretation, re-logging of drill core and surface mapping will be completed in 2010 to define the next phase of drilling.

Kanosak (formerly named the Hébert Prospect Area)

The Kanosak Prospect Area was first discovered by prospecting in 2007 and expanded with new discoveries in 2008. The discovery was further expanded and enhanced by the 2009 follow-up program. The area, consisting of Kanosak Main, Kanosak South (formerly Hebert South) and Kanosak North (formerly Traciane) outlines a 3.5 kilometre long, 300-400 metre wide structural corridor that remains open to further expansion (refer to Map below for location). Two additional showings, the “Frankie” and “Southeast” showings are located 2 kilometres east and 3.5 kilometres southeast, respectively, from the Kanosak Main gold zone. Both prospects host quartz-arsenopyrite-scorodite vein systems.

Channel and grab sample results from quartz-arsenopyrite vein sets and intervening stratabound semi-massive gold-bearing arsenopyrite gossans over portions of this corridor included a high percentage of high gold values. Gold mineralization extends from high grade quartz veins into altered arsenopyrite-bearing sedimentary units. The combination of gold in closely-spaced vein sets and in the adjacent wall rocks greatly improves the potential to delineate a large scale body of mineralization on this part of the Baffin gold project. In addition, similarities in vein orientation, style, alteration and gold mineralization confirm that the Kanosak Prospect, which is at least 3.5 km in strike length and 300 m wide, is part of one large gold mineralized system that remains open to extension both to the northeast and southwest.

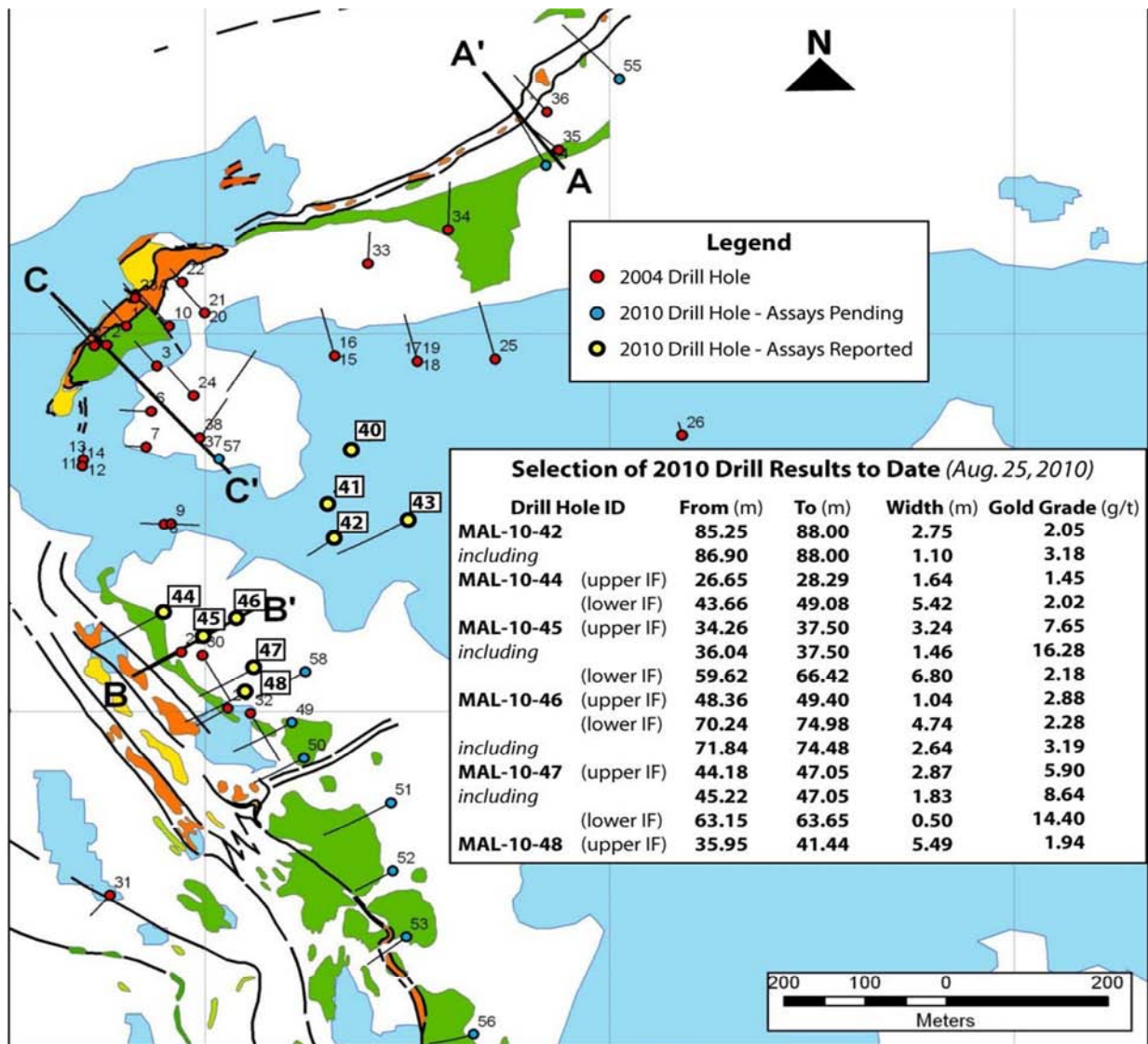
Gold-bearing quartz veins penetrate the gently dipping sedimentary rock package to an unknown depth. Limited outcrop exposure of favourable arsenopyrite-bearing units constrains the amount of sampling that can be done on surface. However, where these units are exposed, significant gold values occur in wall rock adjacent to veins.

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There appears to be a close correlation between increased gold values and higher arsenopyrite content in both quartz veins and metasedimentary wall rocks. This provides Commander with a very useful guide for drill targeting since arsenopyrite can be detected by a geophysical survey technique known as Induced Polarization (IP). A test IP survey over the Kanosak Main zone completed in 2009 detected a 300 m long x 350 m wide anomaly coincident with all gold intervals. This IP anomaly is open beyond the survey coverage area. A single test line IP over the southern end of the Kanosak North showing revealed a 200 metre wide chargeability anomaly, commencing at the edge of the vein system and extending eastward under overburden.

Where observed, coarse gold occurs most commonly along partings or boundaries of coarse arsenopyrite contained within quartz veins and to a lesser extent within the quartz veins themselves and within arsenopyrite in the hosting sedimentary rocks. There is an apparent silver-bismuth-lead association with the gold mineralization. At Kanosak South, which is located close to one kilometre south of Kanosak Main, channel samples from a series of quartz veins included 373.90 grams per tonne gold over 0.25 metres, 241.30 grams per tonne gold over 0.25 metres and 104.50 grams per tonne gold over 0.30 metres. Grab sample results included high values up to 442 grams per tonne gold. At Kanosak North, located 1.5 kilometres north of Kanosak Main, channel samples in quartz veins over a 100 metre outcrop exposure included 66.84 grams per tonne gold over 0.38 metres, 31.49 grams per tonne gold over 0.85 metres and 96.51 grams per tonne gold over 0.20 metres.

A summary of the current 2010 drilling on the Kanosak prospect can be found in the quarterly “Highlights” section above.



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Other Prospects

The Brent Shear zone, located 5 kilometres southwest of Ridge Lake consists of a 1,400 metres long shear zone with well developed quartz veining that contains arsenopyrite and pyrrhotite. Surface grab samples returned up to 113.95 g/t gold with 21 of 66 samples assaying greater than 5 g/t gold. 8 holes totalling 994.79 metres were drilled in 2006 and 2007. 2 holes in 2006, drilled 100 metres apart, confirmed the gold potential of the shear zone. The best result was 6.41 g/t gold over 1.0 metre. An additional shear zone with modest gold values was discovered at Brent. No work was completed on the Brent Zone during 2010.

At the Peninsula prospect, located about 6 kilometres east of the Ridge Lake zone, 2 holes were drilled in 2007 2 kilometres apart along a previously untested 6 kilometre portion of the property. Both holes intersected a gold-bearing iron formation similar to the high-grade gold zone at Ridge Lake. One of the holes intersected 3.59 g/t over 1.27 metres, including 8.16 g/t over 0.50 metres confirming the potential of this area. No work was completed on the Peninsula prospect in 2010.

Bravo Lake Property, Nunavut

The main gold potential on the Bravo property exists on the far eastern group of claims that were originally covered by the 2369 prospecting permit. The main showing area is referred to as Durette. With the discovery of the new Kanosak Prospect area on the adjacent Qimmiq Property and Commander's new partnership with AngloGold on the Baffin Island project, the Bravo Property was expanded by staking in 2009. Base metal (Zn, Pb) and silver potential exists on the Tuktu claim group on the far western portion of the property.

Durette – 2369 Area

Diamond drilling on the Durette prospect in 2006 and 2007 produced modest results, the best being 9.61 g/t gold over 1.56 metres at a depth of 14.30 metres within a 19 metre thick highly silicified iron formation (hole DUR-06-03). This trend is open and continues to the west under cover for 300 metres and into the area where a surface sample collected in 2005 assayed 17 g/t gold. In 2007, 5 holes totalling 550.5 metres drilled along a 500-metre long EM conductor tested the area of mineralization intersected in DUR-06-03. The 2007 drilling intersected thick intervals of silicate iron formation (SIF) ranging from 5 to 30 metres thick and carrying variable amounts of arsenopyrite and pyrrhotite. A high grade assay of 15.23 g/t gold was intersected over 0.83 metres within a 7.02 metre interval grading 2.08 g/t gold in hole Dur-07-09, the easternmost hole drilled at Durette. The gold-bearing intersections (DUR-07-07, 08, 09 and 10) occur over a strike length of 225 metres and within 40 metres of surface and are open at depth and along strike. This zone is completely open to the east, where the Durette gold zone trends into a large, shallow lake and the conductor is continuous to the last line at lakeshore.

The offset portion of the Durette conductor continues for a further 1,500 metres to the west. This offset has not been tested by drilling and is largely covered by overburden. A separate discrete conductor, located 1 kilometre to the southwest of Durette is 900 metres in length and associated with previously reported surface gold values grading up to 9.5 g/t gold (2369) from prospecting samples.

Detailed re-mapping of the target areas and re-logging of core is planned for 2010 to confirm the main controls on gold mineralization in advance of a suitable and necessary follow-up drilling program.

Transaction with Maritime Resources Corp.

On October 5, 2010, TSX Venture Exchange Inc. accepted Commander's filing of an Option Agreement between Commander and BMB Capital Corp. dated June 14, 2010. BMB Capital Corp.'s common shares commenced trading as a Tier 2 issuer on the TSX Venture Exchange under the new name "Maritime Resources Corp." and new trading symbol "MAE". Commander was issued 12 million shares of Maritime as part of the transaction.

Maritime Resources earned the right to acquire a 50% interest in Commander's Green Bay Property, located in the King's Point area, Newfoundland by issuing to Commander 12,000,000 common shares; and is responsible for funding all exploration expenditures and is committed to conducting \$750,000 of mineral exploration activities on the Property by April 5, 2012. The Option Agreement also provides Maritime Resources the further option of increasing its ownership in the Property to 100% by issuing 5,000,000 additional common shares to Commander before the earlier of the date of commencement of commercial production and the expiry date of 5 years after the acquisition of the Initial Interest. In the event Maritime Resources exercised the Second Option to acquire a

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100% interest in the Property, the 100% interest of Maritime Resources in the Property will be subject to a 2% net smelter royalty payable to Commander.

The primary assets on the Green Bay Property are the Orion Gold Deposit ("Orion") and surrounding exploration lands. Orion is located in an area of excellent infrastructure, 14 kilometres northwest of Springdale, Newfoundland. The Hammerdown Gold Mine is a former producer and is located within 2 kilometres of Orion. Diamond drilling was conducted by Major General Resources in the 1990's. Orion currently has an Inferred Resource of 119,000 ounces of gold in a 710,000 tonne deposit grading 5.2 g/t Au using a 3 g/t cut-off grade. An independent NI 43-101 Technical Report on the property has recently been filed. Maritime has initiated a diamond drill campaign, which commenced in February 2011, to expand and define this resource.

As a result of the above transaction, the Company acquired a controlling interest of 55.81% of Maritime's issued and outstanding shares and has consolidated the results of Maritime from October 5, 2010, the date of acquisition. The Company has recorded the interest in the Green Bay Property at its carrying value as it has retained control of the property.

The fair value of Maritime's net assets were as follows:

Cash and cash equivalents	\$	1,174,263
Prepaid expenses		11,013
Accounts receivable		6,502
Mineral properties		30,374
Accounts payable		(6,452)
Net Assets	\$	<u>1,215,700</u>

The amount of gain recognized in the Statement of Operations is as follows:

Carrying value of Green Bay Property	\$	(127,480)
Fair value of net assets acquired		678,531
Gain on acquisition	\$	<u>551,051</u>

The amount of non-controlling interest as at December 31, 2010 is as follows:

Proportionate share of identifiable net assets of Maritime on acquisition	\$	664,649
Share of post acquisition loss for the year		(102,404)
Share of post acquisition option compensation		81,703
Balance at December 31, 2010	\$	<u>643,948</u>

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Selected Annual Information

Selected annual information from the audited financial statements for the years ended December 31, 2010, 2009, and 2008.

	2010		2009		2008	
Total revenues	\$	Nil	\$	Nil	\$	Nil
Loss before other items		(1,609,073)		(790,998)		(1,033,364)
Loss for the year		(1,793,214)		(227,403)		(59,889)
Basic and diluted loss per share		(0.020)		(0.003)		(0.001)
Total assets	\$	24,438,848	\$	24,341,591	\$	23,616,839
Total long-term liabilities		1,475,859		1,472,945		1,440,365
Cash dividends per share	\$	Nil	\$	Nil	\$	Nil

Results of Operations

- Fourth Quarter Results

During the quarter ended December 31, 2010, the mineral property expenditures on the Baffin Island Gold Project amounted to \$779,221 (\$6,737,869 for the year ended December 31, 2010). These expenditures were then significantly recovered from the advances provided by AngloGold. The largest mineral property expenditures during the quarter were the drilling costs of \$504,087 (\$5,565,863 for the year ended December 31, 2010) on the Qimmiq property of Baffin Island. Spending on other properties was \$144,518 (\$236,209 for year ended December 31, 2010). More information is available in the Mineral Property Expenditure Table on page 15.

Commander incurred total general and administrative expenses of \$415,725 of which \$211,206 was non-cash stock-based compensation.

- Year Ended December 31, 2010 compared with the Year Ended December 31, 2009

During 2010, Commander's activities focused primarily on the Baffin Island Gold Project exploration, Nunavut and finalizing the transaction of the Green Bay Property. Commander had no revenue for the year ended December 31, 2010. General and administrative expenses increased by \$818,075 to \$1,609,073 compared to \$790,998 in 2009 mainly attributable to a \$575,652 increase in non-cash stock-based compensation. Other notable changes include:

- Consulting expense of \$92,789 (2009 - \$36,388) increased by \$56,401 in the year ended December 31, 2010, mainly due to the costs associated with the senior management transition.
- Investor relations and promotion expense of \$165,411 increased from \$112,862 in 2009. Trade shows, media and other expenses increased during the year as follows:

	For the Year Ended		For the Three Months Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Conferences and trade shows	\$ 43,592	\$ 27,141	\$ 611	\$ 4,032
Consulting, wages and benefits	71,730	64,556	22,523	15,443
Media	35,232	14,031	4,766	6,077
Administration	375	114	375	(32)
Promotion and advertising	14,482	7,020	3,907	3,217
Total Investor Relations Expenses	\$ 165,411	\$ 112,862	\$ 32,182	\$ 28,737

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- Salaries and benefits expense increased to \$230,966 compared to \$173,109 in 2009 as a result of overlapping salaries due to senior management transition.
- Office and miscellaneous expenses were \$74,987 in the year ended December 31, 2010, compared to \$37,917 in 2009. Commander incurred additional expenses on computer maintenance and relocation to a new office location this year.

For the year ended December 31, 2010, Commander's loss after tax was \$1,793,214 (2009 - \$227,403) and loss attributable to owners of the parent was \$1,690,810 (2009 - \$227,403). The increase in loss was largely due to the increase in stock-based compensation \$745,471 (2009 - \$169,819), mineral properties written down of \$784,776 (2009 - \$13,762) and future income tax recovery of \$20,865 (2009 - \$591,776).

Summary of Quarterly Results

	Mar. 31 2009 Q1	Jun. 30 2009 Q2	Sept. 30 2009 Q3	Dec. 31 2009 Q4	Mar. 31 2010 Q1	June 30 2010 Q2	Sept. 30 2010 Q3	Dec. 31 2010 Q4
Mineral property costs deferred, net	\$ 132,312	\$ (485,577)	\$ (32,219)	\$ 235,920	\$ (3,377)	\$ (73,092)	\$ (59,498)	\$ (141,138)
G&A (incl. stock comp.)	\$ 172,037	\$ 167,136	\$ 236,885	\$ 214,940	\$ 434,506	\$ 432,631	\$ 326,211	\$ 415,725
Stock comp. expense	\$ (10,637)	\$ (25,726)	\$ (74,273)	\$ (59,183)	\$ (236,611)	\$ (206,561)	\$ (91,093)	\$ (211,206)
Adjusted G&A (less stock comp.)	\$ 161,400	\$ 141,410	\$ 162,612	\$ 155,757	\$ 197,895	\$ 226,070	\$ 235,118	\$ 204,519
Income (loss)	\$ 443,318	\$ (636,679)	\$ (234,046)	\$ 200,004	\$ (451,116)	\$ (439,881)	\$ (332,606)	\$ (569,611)
Income (loss) per share								
-basic	\$ 0.006	\$ (0.010)	\$ (0.003)	\$ 0.002	\$ (0.005)	\$ (0.015)	\$ (0.014)	\$ (0.006)
-diluted	\$ 0.005	\$ (0.010)	\$ (0.003)	\$ 0.002	\$ (0.005)	\$ (0.015)	\$ (0.014)	\$ (0.006)
Weighted avg. common shares								
-basic	79,572,516	79,572,516	79,591,538	84,665,907	90,207,516	90,589,516	90,881,701	90,942,516
-diluted	86,910,444	79,572,516	79,591,538	84,665,907	90,207,516	90,589,516	90,881,701	90,942,516

Non-GAAP Financial Measures

Since the adoption of the Canadian Institute of Chartered Accountants ("CICA") accounting standard for stock-based compensation, Commander's general and administrative quarterly expense has fluctuated significantly. The granting and vesting of stock options is at the discretion of the Board of Directors and the resulting expense does not reflect the normal operations of Commander. Commander has included "adjusted general and administrative expense" without the stock-based compensation expense to be more reflective of normal operations. This financial measure does not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures presented by other corporations or entities.

Liquidity and Capital Resources

At December 31, 2010, Commander had \$1,744,514 in cash and cash equivalents. Commander is confident with its ability to raise additional funds to complete the planned business objectives for 2011.

Commander has relied on equity financings to meet its cash requirements. In 2009, Commander's Farm-in and Joint Venture Agreement with AngloGold created both immediate equity financing of \$1.2 million and funding of \$20 million in exploration expenditures by December 31, 2014. Although Commander has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that Commander will be able to obtain adequate financing in the future or that the terms of such financings will be favourable.

There is no significant commitment for capital expenditure.

Off-Balance Sheet Arrangements

Commander has not entered into any Off-Balance Sheet Arrangements.

Commander Resources Ltd.
Management Discussion and Analysis
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Related Party Transactions

At December 31, 2010, marketable securities included 258,000 common shares of Diamonds North Resources Ltd., a company related by a director in common.

During the year ended December 31, 2010, Commander paid or accrued \$18,617 in legal fees, share issuances and mineral properties costs to a law firm in which a director of Commander is a partner. Of the legal fees, \$836 were still outstanding as at December 31, 2010. During the year ended December 31, 2010, Commander paid or accrued \$98,150 in consulting fees to three companies controlled by three officers of Commander. The Company also incurred \$17,520 in consulting fees to five directors of the Company.

Commander sub-leases office space with a company related by virtue of directors in common. The amount of rent paid to that company during the year ended December 31, 2010 amounted to \$65,445 (2009 - \$66,421).

Given that Commander's directors and officers are engaged in a wide range of activities in the junior resource industry, Commander operates under the Conflict of Interest provisions found within the Business Corporations Act of British Columbia. In addition, management has adopted language from these provisions and incorporated them into Commander's Code of Business Conduct and Ethics.

As at December 31, 2010, there was \$3,848 included in Accounts payable which was due to a company related by common directors; \$4,000 in Due from related parties which was receivable from an officer for expenses advance.

Related party transactions are recorded at the carrying amount and have no interest or stated terms of repayment.

Proposed Transactions

There were no proposed transactions.

Critical Accounting Estimates

The most significant accounting estimates for Commander relates to the carrying value of its mineral property assets. All deferred mineral property expenditures 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 that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or Commander's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value.

Management's estimates of exploration, operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its properties.

Another significant accounting estimate relates to accounting for stock-based compensation. Commander uses the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of Commander's stock options granted/vested during the period.

Commander Resources Ltd.
Management Discussion and Analysis
For the Year Ended December 31, 2010

New Accounting Policies

The following new CICA accounting standards have been early adopted by Commander:

Business Combinations

Effective January 1, 2010, the Company early adopted CICA Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". Sections 1582 and 1602 require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. Section 1601 establishes standards for the preparation of consolidated financial statements.

The following have been issued but not yet adopted by Commander:

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The effective date for Commander is for interim and annual financial statements commencing January 1, 2011. The transition will require the restatement for comparative purposes of amounts reported by Commander for the year ended December 31, 2010. The Company is completing the evaluation of the impact of the conversion on the Company's consolidated financial statements and has considered accounting policy choices available under IFRS.

Financial Instruments

Commander is exposed to liquidity risk if it encounters difficulty in obtaining funds to meet commitments as they become due. As at December 31, 2010, Commander had cash and cash equivalent in the amount of \$1,744,514. Accounts payable and accrued liabilities as at December 31, 2010 amounted to \$426,316. Commander believes that it has sufficient funds to complete the planned business objectives for 2010.

Commander is exposed to credit risk with respect to its cash and cash equivalents, accounts receivable and due from related parties. This risk is minimized as the cash and cash equivalents have been placed with major Canadian financial institutions. Commander performs on-going credit evaluations of its accounts receivable. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts. Credit risk with respect to amounts due from related parties has been assessed as low by management as Commander has strong working relationships with the parties involved.

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. As at December 31, 2010, if the market prices of the marketable securities had decreased 10 percent with all other variables held constant, the net loss for the period would have been \$61,134 higher. Conversely, if the market prices of the marketable securities had increased 10 percent with all other variables held constant, the net loss for the period would have been \$61,134 lower.

The following table illustrates the classification of the Commander's financial instruments carried at fair value within the fair value hierarchy at December 31, 2010:

	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities	\$ 515,294	\$ 515,294	\$ -	\$ -
Investment in warrants	\$ 96,041	\$ -	\$ 96,041	\$ -

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For the Year Ended December 31, 2010

Other MD&A Requirements

Additional information relating to Commander, including Commander's most recent Annual Information Form, is available on SEDAR at www.sedar.com and the Company's website, www.commanderresources.com. Additional information on Maritime Resources Corp. is available on the Internet at the SEDAR website, www.sedar.com and Maritime's website, www.maritimeresourcescorp.com.

As at the report date, Commander had 90,942,516 issued common shares outstanding and the following unexercised stock options and warrants:

- Stock Options

Number of Shares	Exercise Price	Expiry Date
282,000	\$0.39	May 7, 2011
646,500	\$0.30	June 19, 2011
400,000	\$0.87	January 2, 2012
200,000	\$0.41	May 8, 2012
1,196,500	\$0.36	June 7, 2012
70,000	\$0.19	December 21, 2012
760,000	\$0.18	February 7, 2013
200,000	\$0.21	June 24, 2013
280,000	\$0.10	October 17, 2013
700,000	\$0.10	February 20, 2014
1,394,000	\$0.10	May 12, 2014
200,000	\$0.39	January 19, 2015
1,778,500	\$0.35	January 27, 2015
95,000	\$0.35	January 27, 2015
500,000	\$0.27	May 25, 2015
100,000	\$0.18	October 6, 2015
2,020,000	\$0.19	February 11, 2016
10,822,500		

- Warrants

Number of Shares	Exercise Price	Expiry Date
5,000,000	\$0.24	November 17, 2011
5,000,000		

Commander Resources Ltd.
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For the Year Ended December 31, 2010

Mineral Property Expenditure Table

	Baffin, Nunavut		Green Bay, Newfoundland	Other Properties	Total
	Qimmiq	Bravo Lake			
Balance at					
December 31, 2009	\$ 9,744,370	\$ 2,528,803	\$ 536,185	\$ 9,248,027	\$ 22,057,385
Additions during the year:					
Acquisition costs	-	-	64,563	6,870	71,433
Exploration costs:					
Drilling	5,565,863	5,014	5,695	6,678	5,583,250
Geochemistry	28,556	-	-	538	29,094
Geology	458,821	34,571	61,634	38,003	593,029
Geophysics	201,842	-	95,224	1,400	298,466
Environment	139,744	19,293	-	-	159,037
Property	70,721	246	5,818	19,324	96,109
Trenching/line cutting	538	-	-	-	538
Other	212,165	495	149	1,746	214,555
	6,678,250	59,619	168,520	67,689	6,974,078
Less:					
Recoveries	(6,453,880)	(29,558)	-	(54,402)	(6,537,840)
Write down	-	-	-	(784,776)	(784,776)
	(6,453,880)	(29,558)	-	(839,178)	(7,322,616)
Net additions	224,370	30,061	233,083	(764,619)	(277,105)
Balance at					
December 31, 2010	\$ 9,968,740	\$ 2,558,864	\$ 769,268	\$ 8,483,408	\$ 21,780,280

IFRS Conversion Plan

Commander is completing the process of transitioning from Canadian GAAP to IFRS. It has established a project plan and allocated internal resources. It has evaluated its overall readiness to transition from GAAP to IFRS including the readiness of its staff, Board of Directors, Audit Committee and auditors. Commander has completed the quantification of financial statement impacts.

The IFRS convergence project consists of three primary phases, which in certain cases would occur concurrently as IFRS is applied to specific areas:

- Phase 1 – Initial Scoping and Impact Assessment Analysis: to isolate key areas that will be impacted by the transition to IFRS.
- Phase 2 – Evaluation and Design: to identify specific changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statements.
- Phase 3 – Implementation and Review: to execute the changes to information systems and business processes, completing formal authorization processes to approve recommended accounting policy changes and training programs across Commander's finance and other staff, as necessary. This will culminate in the collection of financial information necessary to compile IFRS compliant financial statements, including embedding IFRS principles in business processes, and Audit Committee review and approval of the financial statements.

Commander Resources Ltd.
Management Discussion and Analysis
For the Year Ended December 31, 2010

Commander had completed the initial scoping and impact assessment analysis phase. A number of differences in Canadian GAAP versus IFRS believed to be relevant to Commander had been identified. The main differences related to Commander's financial statements are summarized in the following table:

Items	IFRS	Canadian GAAP	Comments
Introduction	A statement of explicit and unreserved compliance required	Not required	Will be incorporated
Financial Statements	Statement of changes in equity required	Not required but accepted practice	Already prepared by Commander
	Statement of financial position at the beginning of the earliest comparative period required	Not required	Will be incorporated
Basis of Accounting	Modified historical cost with emphasis on fair value	Historical cost with limited use of fair value	Not expected to have significant impact
Changes in Accounting Policies	Statement of financial position at the beginning of the earliest comparative period with changes required	Not required	Will be incorporated
Events after Reporting Date	Post-reporting date to date statements authorized for issue	Post-reporting date to date of completion	Not expected to have significant impact
PPE	Interest costs are capitalized	Interest costs may be capitalized	Not applicable
	Component is accounted for separately	Less strict interpretation of componentization	Not expected to have significant impact
	PPE may be revalued to fair value	PPE may not be revalued to fair value	Not expected to have significant impact
Joint Ventures	Joint ventures to be accounted for by proportionate consolidation or equity method	Joint ventures must be accounted for using proportionate consolidation	N/A
Impairment	The discount rate used is the market rate	Cash flows used to assess impairment is not discounted	Not expected to have significant impact
	Reversals of impairment are recognised	Reversals of impairment are prohibited	Not expected to have significant impact
	Impairment loss on a revalued asset is recognised in other comprehensive income	Impairment losses always recognised in profit or loss	Not expected to have significant impact
Equity and Financial Liabilities	Non-controlling interest classified within equity	Non-controlling interest classified outside equity	Not expected to have significant impact
Income Taxes	A deferred tax asset is recognised to the extent it is probable that it will be realised	Deferred tax assets are recognised to the extent that it is "more likely than not" the the deferred tax assets will be realised	Not expected to have significant impact
	Deferred tax classified as non-current	Deferred taxes are classified as current and non-current based on the classification of the	Not expected to have significant impact
Profit or Loss	An analysis of expenses is required by nature or by function	Not required	Not expected to have significant impact
Share-based payments	Requirements for transactions with employees also applied to non-employees	Requirements for transactions with employees not applied to non-employees	Not expected to have significant impact
	Share-based payments to non-employees based on fair value of goods or services. Fair value of instruments used only when fair value of goods or services cannot be measured reliably	Stock-based payments to non-employees based on more reliable of fair value of good or services or instruments	Not expected to have significant impact
	In graded vesting each instalment is accounted for as a separate grant	Entity can elect to determine the fair value using the average life of the instrument	Graded vesting per IFRS started from 2010. Adjustments for previous years are not required as all options vested
Related parties	Related party relationships are symmetrical	Related party relationship not symmetrical	Not expected to have significant impact
	Key management personnel compensation is disclosed in total and is analysed by component	Not required	Will be incorporated
Mineral Resources	IFRS 6 deals with exploration and evaluation of mineral resources	No single standard for exploration and evaluation activities	Not expected to have significant impact
	Identify and account for pre-exploration, E&E and development expenditure required	Not required	N/A
	Generally pre-license costs are expensed	Pre-license costs may be capitalised	Not expected to have significant impact
	Capitalised E&E costs are classified as either tangible or intangible assets	Not required	All E&E costs in Commander's mineral properties are intangible
	Test for recoverability can combine several cash generating unites	Test for recoverability cannot combine several cash generating unites	Not expected to have significant impact
	Reversals of impairment are permitted	Reversals of impairment are prohibited	Not expected to have significant impact
	No guidance on pre-exploration costs or post-exploration development expenditure	Guidance provided	Not expected to have significant impact

Commander Resources Ltd.
Management Discussion and Analysis
For the Year Ended December 31, 2010

First-time Adoption of International Financial Reporting Standards

IFRS 1, *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”), sets forth guidance for the initial adoption of IFRS. Commencing for the period ended March 31, 2011, Commander will restate its comparative fiscal 2010 financial statements for annual and interim periods to be consistent with IFRS. In addition, Commander will reconcile equity and net earnings from the previously reported fiscal 2010 GAAP amounts to the restated 2010 IFRS amounts.

IFRS generally requires that first-time adopters retrospectively apply all IFRS standards and interpretations in effect as at the first annual reporting date. IFRS 1 provides for certain mandatory exceptions and optional exemptions to this general principle.

Commander anticipates using the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations*, prospectively from the Transition Date;
- to apply the requirements of IFRS 2, *Share-based Payments*, to equity instruments granted which had not vested as of the Transition Date;
- to apply the borrowing cost exemption and apply IAS 23, *Borrowing Costs*, prospectively from the Transition Date; and
- to elect not to comply with IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, for changes in such liabilities that occurred before the Transition Date.

Changes to estimates previously made are not permitted. The estimates previously made by Commander under GAAP will not be revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

Impact of Adoption of IFRS on Financial Reporting

While GAAP is in many respects similar to IFRS, conversion will result in differences in recognition, measurement, and disclosure in the financial statements. Based on a high-level scoping assessment, the following financial statement areas are expected to be significantly impacted:

Property, Plant and Equipment (PP&E)

Under IAS 16, *Property, Plant and Equipment*, are recognized initially at cost if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Costs include all expenditures directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Under IAS 16, each part of an item of PP&E with a cost that is significant in relation to the total cost of the item shall be depreciated separately. In order to meet this requirement, componentization is generally required. Commander does not currently componentize to the same level as would be required under IFRS. Componentization would be required only to the extent that different depreciation methods or rates are appropriate and those components are material. In addition major inspections or overhaul costs are identified and accounted for as a separate component under IFRS if that component is used for more than one period. Commander does not currently have a policy for major overhaul costs. Practically, this should be factored into the determination of the components of PP&E.

Income Taxes

IAS 12, *Income Taxes*, requires the recognition of deferred tax assets or liabilities for all deductible and taxable temporary differences except for temporary differences created in a transaction that is:

- (a) not a business combination and
- (b) at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognized to the extent it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Under GAAP, tax assets are recognized if it is more likely than not. Probable is not defined in IAS 12. However, entities have often used a definition of more likely than not similar to GAAP. However, IAS 12 does not preclude a higher threshold. Accordingly, a difference will not result as long as Commander uses more likely than not as its definition of probable.

Commander Resources Ltd.
Management Discussion and Analysis
For the Year Ended December 31, 2010

Impairment of Assets

Per IAS 36, *Impairment of Assets*, an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity should estimate the recoverable amount of the asset. The indicators of impairment are generally consistent with those of GAAP. An asset should be written down to its recoverable amount if the recoverable amount is less than its carrying value.

The recoverable amount is equal to the higher of the fair value less cost to sell and its value in use. It is not necessary to determine both if one indicates no impairment exists. The value in use is based on a discounted cash flow model. This approach is different than GAAP (i.e. one step model under IFRS compared to two step model under GAAP). To the extent possible, individual assets should be tested for impairment. However, if it is not possible to determine the recoverable amount of an individual asset, an entity should determine the recoverable amount of the Cash Generating Unit (“CGU”) to which the asset belongs. The definition of a CGU is different from the Canadian definition of an Asset Group.

In addition, Commander has in the past written down mineral property amounts for certain mineral properties. Under IAS 36, Commander would be required to reconsider whether there is any indication that an impairment loss recognized in a prior period may no longer exist or has decreased on transition and thereafter on an annual basis. If such indicators exist, a new recoverable amount should be calculated and all or part of the impairment charge should be reversed to the extent the recoverable amount exceeds its carrying value. This is different than GAAP where write ups are not permitted.

Asset Retirement Obligations (“ARO”)

Under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, an ARO is recognized when there is a legal or constructive obligation to restore a site for damage that has already occurred, it is probable a restoration expense will be incurred and the cost can be estimated reliably. This is different than GAAP where only legal obligations are considered. Cost includes the cost of dismantling and removing items and restoring the site on which it is located, the obligation for which is incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories. This is different from GAAP where all changes in ARO are recognized as a cost of the related asset. Under IFRS, the amount recognized as a provision shall be the best estimate of the expenditures required to settle the present obligation. This is significantly different from GAAP where third party costs are required. Under IAS 37, the provision would be based on management’s best estimate. This estimate could be a third party cost if it is management’s intention to hire a third party to complete the work or an internal estimate of the cost if Commander intends to use its own equipment and resources to do this work.

Where the effect of the time value of money is material, the amount of the provision should be the present value of the expenditures expected to be required to settle the obligation. This is consistent with GAAP. However, the discount rate used would be a pre-tax rate specific to the liability rather than Commander’s credit adjusted risk free rate and should not reflect risks for which the future cash flow estimates have been adjusted. Unwinding of the discount (i.e. accretion) is included in finance costs.

The ARO provision should be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Changes may result from changes in the amount or timing of the cash out flows or changes in discount rates. This is different from GAAP where changes in discount rates alone would not result in a change in the ARO. Accordingly, Commander will need to assess the discount rate applicable to the ARO on an ongoing basis.

IFRS Impact on Our Organization

The conversion to IFRS will impact the way Commander presents its financial results. The first financial statements prepared using IFRS (i.e. interim financial statements for the three months ended March 31, 2011) will be required to include numerous notes disclosing extensive transitional information and full disclosure of all new IFRS accounting policies.

Commander has obtained an understanding of IFRS from training of its finance personnel and had evaluated the impact of the conversion on its accounting systems. Commander expects that the impact of the conversion on its accounting systems is minimal.

In addition, Commander had evaluated its internal and disclosure control processes as a result of its conversion to IFRS, assessed the impacts of adopting IFRS on its contractual arrangements to identify any material compliance issues such as its debt covenants and other commitments and considered the impacts the transition will have on its internal planning process and compensation arrangements. Commander is completing this evaluation.



**COMMANDER
RESOURCES LTD.**

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended
December 31, 2010 and 2009



**COMMANDER
RESOURCES LTD.**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Commander Resources Ltd. (an exploration stage company) have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded, all transactions are authorized and duly recorded, and financial records are properly maintained to facilitate financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the consolidated financial statements with management and the external auditors. Smythe Ratcliffe LLP, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the consolidated financial statements and their report is included herein.

"Eric Norton"

Eric Norton
President and Chief Executive Officer

Vancouver, British Columbia
March 29, 2011

INDEPENDENT AUDITORS' REPORT

**TO THE SHAREHOLDERS OF COMMANDER RESOURCES LTD.
(An Exploration Stage Company)**

We have audited the accompanying consolidated financial statements of Commander Resources Ltd. (an exploration stage company), which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations, comprehensive loss, cash flows and shareholders' equity for the years ended December 31, 2010 and 2009, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Commander Resources Ltd. as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years ended December 31, 2010 and 2009 in accordance with Canadian generally accepted accounting principles.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
March 29, 2011

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Balance Sheets

(expressed in Canadian dollars)

As at December 31

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,744,514	\$ 1,425,152
Marketable securities (Notes 4 and 11(c))	515,294	321,066
Investment in warrants (Note 6)	96,041	66,600
Accounts receivable	108,245	118,318
Due from related parties	4,362	2,163
Prepaid expenses	35,295	38,227
Field supplies	103,862	282,125
	2,607,613	2,253,651
Deposit	32,377	20,000
Mineral properties (Note 8)	21,780,280	22,057,385
Property and equipment (Note 9)	18,578	10,555
Total assets	\$ 24,438,848	\$ 24,341,591
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 11(d))	\$ 426,316	\$ 244,980
Future income taxes (Note 15)	1,475,859	1,472,945
Total liabilities	1,902,175	1,717,925
SHAREHOLDERS' EQUITY		
Equity attributable to owners of the parent:		
Share capital (Note 10)	37,450,106	37,232,067
Contributed surplus	965,352	965,352
Option compensation (Note 10(c))	1,653,818	1,078,438
Deficit	(18,008,582)	(16,317,772)
Accumulated other comprehensive loss	(167,969)	(334,419)
	21,892,725	22,623,666
Non-controlling interest (Note 7)	643,948	-
Total equity	22,536,673	22,623,666
Total equity and liabilities	\$ 24,438,848	\$ 24,341,591

Nature of Operations and Going Concern (Note 1)

Commitments (Note 12)

Subsequent Events (Note 16)

Approved on behalf of the Board of Directors:

"Eric Norton"

Eric Norton

"Michael W. Byrne"

Michael W. Byrne

See Accompanying Notes to the Consolidated Financial Statements

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Statements of Operations

(expressed in Canadian dollars)

For the Years Ended December 31

	2010	2009
General and administrative expenses		
Accounting and audit	\$ 107,276	\$ 89,600
Amortization	11,443	12,467
Annual report and meeting	7,827	5,284
Consultants	92,789	36,388
Insurance	38,602	42,243
Investor relations and promotion	165,411	112,862
Legal	21,428	9,806
Office and miscellaneous	74,987	37,917
Regulatory and transfer agent fees	33,735	29,166
Rent and storage	79,138	72,337
Salaries and benefits	230,966	173,109
Stock-based compensation (Note 10(c))	745,471	169,819
Loss before the undernoted	(1,609,073)	(790,998)
Interest income	1,635	1,701
Exchange loss	(451)	(207)
Property investigation	(1,906)	(2,707)
Write-down of mineral properties	(784,776)	(13,762)
Gain on acquisition (note 7)	551,051	-
Realized loss on disposal of marketable securities	-	(11,606)
Unrealized gain (loss) on derivative instruments (Note 6)	29,441	(1,600)
Loss before taxes	(1,814,079)	(819,179)
Future income tax recovery (Note 15)	20,865	591,776
Net loss for the year	\$ (1,793,214)	\$ (227,403)
Loss for the year attributable to:		
Non-controlling interest	\$ (102,404)	\$ -
Common shareholders	(1,690,810)	(227,403)
	\$ (1,793,214)	\$ (227,403)
Loss per share - basic and diluted	\$ (0.020)	\$ (0.003)
Weighted average number of common shares outstanding	90,709,946	80,890,261

See Accompanying Notes to the Consolidated Financial Statements

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

(expressed in Canadian dollars)

For the Years Ended December 31

	2010		2009	
Net loss for the year	\$	(1,793,214)	\$	(227,403)
Unrealized gain on available-for-sale marketable securities		190,229		43,193
Transfer to income on sale of marketable securities		-		10,156
Future income tax expense		(23,779)		(6,767)
Comprehensive loss for the year	\$	(1,626,764)	\$	(180,821)
Total comprehensive loss attributable to:				
Non-controlling interest	\$	(102,404)	\$	-
Common shareholders		(1,524,360)		(180,821)
	\$	(1,626,764)	\$	(180,821)

See Accompanying Notes to the Consolidated Financial Statements

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

For the Years Ended December 31

	2010	2009
Cash provided from (used for):		
Operating activities		
Net loss for the year	\$ (1,793,214)	\$ (227,403)
Items not involving cash:		
Amortization	11,443	12,467
Loss on sale of marketable securities	-	11,606
Stock-based compensation	745,471	169,819
Unrealized loss (gain) on derivative instruments	(29,441)	1,600
Write-down of mineral properties	784,776	13,762
Future income tax recovery	(20,865)	(591,776)
Gain on acquisition	(551,051)	-
	(852,881)	(609,925)
Changes in non-cash working capital items:		
Accounts receivable	(86,082)	7,602
Due from related parties	(2,199)	9,656
Prepaid expenses	2,932	2,990
Field supplies	178,263	(150,932)
Accounts payable and accrued liabilities	(97,913)	10,114
Cash used in operating activities	(857,880)	(730,495)
Investing activities		
Proceeds from sale of marketable securities	-	3,190
Deposit	(12,377)	-
Recoveries from mineral properties	6,533,840	1,583,090
Mineral property acquisition and exploration costs	(7,045,511)	(1,625,488)
Accounts receivables related to mineral properties	96,155	(75,530)
Accounts payable and accrued liabilities related to mineral properties	279,249	53,999
Purchase of equipment	(19,464)	(750)
Cash acquired on acquisition	1,174,263	-
Net asset acquired on acquisition, net of cash acquired	41,437	-
Cash provided by (used in) investing activities	1,047,592	(61,489)
Financing activities		
Shares issued for cash, net of issue costs	129,650	1,256,650
Cash provided by financing activities	129,650	1,256,650
Increase in cash and cash equivalents	319,362	464,666
Cash and cash equivalents, beginning of year	1,425,152	960,486
Cash and cash equivalents, end of year (Note 3(c))	\$ 1,744,514	\$ 1,425,152

Supplemental Cash Flow Information (Note 14)

See Accompanying Notes to the Consolidated Financial Statements

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Statements of Shareholders' Equity
 (expressed in Canadian dollars)

	Share Capital		Contributed	Option		Accumulated		Total
	Shares	Amount	Surplus	Compensation	Deficit	Other Comprehensive Income (Loss)	Non-Controlling Interest	Shareholders' Equity
Balance, December 31, 2008	79,572,516	\$ 36,573,769	\$ 230,695	\$ 1,662,513	\$ (16,090,369)	\$ (381,001)	\$ -	\$ 21,995,607
Net loss for the year					(227,403)			(227,403)
Unrealized gain on available-for-sale marketable securities, net of taxes						36,426		36,426
Transfer to income on sale of marketable securities						10,156		10,156
Shares issued for cash								
Private placement	10,000,000	1,200,000						1,200,000
Exercise of options	635,000	63,500						63,500
Share issue costs		(6,850)						(6,850)
Non-cash transactions								
Income tax effect on flow-through share renunciation		(617,589)						(617,589)
Reclassification of option compensation on exercise of options		19,237		(19,237)				-
Reclassification of option compensation on expiry of options			734,657	(734,657)				-
Stock-based compensation				169,819				169,819
Balance, December 31, 2009	90,207,516	37,232,067	965,352	1,078,438	(16,317,772)	(334,419)	-	22,623,666
Non-controlling interest on acquisition							664,649	664,649
Net loss for the year					(1,690,810)		(102,404)	(1,793,214)
Unrealized gain on available-for-sale marketable securities, net of taxes						166,450		166,450
Shares issued for cash								
Exercise of options	735,000	129,650						129,650
Non-cash transactions								
Reclassification of option compensation on exercise of options		88,389		(88,389)				-
Stock-based compensation				663,769			81,703	745,472
Balance, December 31, 2010	90,942,516	\$ 37,450,106	\$ 965,352	\$ 1,653,818	\$ (18,008,582)	\$ (167,969)	\$ 643,948	\$ 22,536,673

See Accompanying Notes to the Consolidated Financial Statements

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(expressed in Canadian dollars)

1. Nature of Operations and Going Concern

Commander Resources Ltd. (the “Company” or “Commander”) is in the process of actively exploring and developing its mineral properties and has not yet determined whether these properties contain mineral resources that are economically recoverable. The Company has not earned significant revenues from its resource property interests and is considered to be in the exploration stage.

The Company’s consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The business of mining exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead, pay its liabilities, and maintain its mineral interests. The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition, exploration and development of mineral properties, is dependent on the Company’s ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and continue to explore mineral property interests. There is no assurance that these plans will be successful.

For the year ended December 31, 2010, the Company reported a net loss of \$1,793,214 (2009 - \$227,403), has a deficit of \$18,008,582 (2009 - \$16,317,772) and accumulated other comprehensive loss of \$167,969 (2009 - \$334,419). The Company also has working capital of \$2,181,297 (2009 - \$2,008,671). Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions.

2. Significant Accounting Policies

These consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (“GAAP”) and are presented in Canadian dollars, the Company’s functional currency.

(a) Principles of consolidation

These consolidated financial statements are prepared in accordance with Canadian GAAP, and are expressed in Canadian dollars and include the accounts of the Company and its 55.81% owned subsidiary, Maritime Resources Corp. (Note 7).

Non-controlling interests in the net assets of the consolidated subsidiary are identified separately from the Company’s equity therein. The interest of non-controlling shareholders is initially measured at the non-controlling interest’s proportionate share of the subsidiary’s identifiable net assets. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest’s share of changes in equity since the date of the combination.

The results of the subsidiary acquired or disposed of during the year are included in the consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used into line with those used by the Company.

All material intercompany transactions, balances, income and expenses are eliminated on consolidation. Changes in the Company’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Company.

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(b) Foreign Currency Translation

The functional and reporting currency of the Company is the Canadian dollar. Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- i. Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- ii. Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- iii. Interest income and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the transaction date.

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

(c) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of environmental obligations, asset retirement obligations ("ARO"), accrued liabilities, the fair values of financial instruments, rates of amortization for property and equipment, recoverability of accounts receivable and resource properties, calculation of future income taxes and the variables used in the calculation of stock-based compensation. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents include bank deposits or cashable highly-liquid investments that are readily convertible to known amounts of cash and have maturities of three months or less from the date acquired.

(e) Investment in warrants

Warrants of publicly traded securities, which do not have a quoted price, are carried at an estimated fair value calculated using the Black-Scholes option pricing model. The warrants are considered a derivative financial instrument and consequently are classified as held-for-trading and are measured at fair value. Resulting gains or losses are included in operations.

(f) Mineral properties

All costs related to the acquisition of, exploration for and development of resource properties, net of recoveries, are capitalized on a property-by-property basis. If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and will be amortized using the unit-of-production method. When a property is abandoned, all related costs are written-off to operations. If after management review it is determined that the carrying amount of a resource property is impaired, that property is written down to its estimated fair value. A resource property interest is reviewed annually for impairment or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

From time to time the Company may acquire or dispose of a resource property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is recorded in operations.

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(g) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is recorded using the straight-line method over five years. Leasehold improvements are amortized on a straight-line basis over the term of the lease of five years.

(h) Asset retirement obligations

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

(i) Flow-through shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. The effect of such renouncement is to reduce future income tax deductions, which is considered to be a share issue cost that is recorded as a reduction to share capital and a corresponding increase in future income tax liability.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of income taxes in the statements of operations.

(j) Stock-based compensation

The Company accounts for stock-based compensation using a fair value-based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete, 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 to operations, with the offset credit to option compensation, over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of option compensation are transferred to share capital. The Company does not incorporate an estimated forfeiture rate for options that will not vest, but rather accounts for actual forfeitures as they occur.

(k) Income taxes

The Company follows the asset and liability method for accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(l) Loss per share

Loss per share is calculated based on the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to 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.

(m) Field supplies

Field supplies consists of fuel and other supplies, which were stored in a facility in the hamlet of Clyde River and Resolute Bay, Nunavut, and stated at the lower of cost and net realizable value.

(n) 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 using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

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.

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

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).

(o) Unit offerings

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

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(p) Adoption of new accounting policy

Business Combinations

Effective January 1, 2010, the Company early adopted the Canadian Institute of Chartered Accountants' Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests".

Sections 1582 and 1602 require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests to be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements (see Note 7).

(q) Future accounting change

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim consolidated financial statements for the three months ended March 31, 2011, which must include the interim results for the prior period ended March 31, 2010 prepared on the same basis. IFRS uses a conceptual framework similar to Canadian GAAP, but there are some significant differences on recognition, measurement and disclosures. The Company is completing the evaluation of the impacts of the conversion on the Company's consolidated financial statements and has considered accounting policy choices available under IFRS.

3. Financial Instruments

(a) Fair value

The Company has classified its financial instruments as follows:

- Cash and cash equivalents – as held-for-trading
- Marketable securities – as available-for-sale
- Accounts receivable – as loans and receivables
- Due from related parties – as loans and receivables
- Investment in warrants – as held-for-trading
- Accounts payable – as other financial liabilities.

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values because of the short term to maturity of these financial instruments.

The fair values of amounts due from related parties cannot be reliably measured since there is no quoted price for such instruments.

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(expressed in Canadian dollars)

3. Financial Instruments (continued)**(a) Fair value** (continued)

The following table summarizes fair value measurement by level at December 31, 2010 for assets and liabilities measured at fair value on a recurring basis:

	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities	\$ 515,294	\$ 515,294	\$ -	\$ -
Investment in warrants	\$ 96,041	\$ -	\$ 96,041	\$ -

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2010, the Company had cash and cash equivalents of \$1,744,514, and accounts payable and accrued liabilities of \$426,316. Most of the Company's accounts payable is due within 30 days.

(c) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents, accounts receivable and amounts due from related parties. This risk is minimized as cash and cash equivalents have been placed with major Canadian financial institutions. The Company performs on-going credit evaluations of its accounts receivable. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts. Credit risk with respect to amounts due from related parties has been assessed as low by management as the Company has strong working relationships with the parties involved.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at one major Canadian financial institution. The Company's concentration of credit risk and maximum exposure at December 31 thereto is as follows:

	2010	2009
Cash	\$ 1,729,514	\$ 1,410,152
Term deposit with interest 0.5% (2009 - 0.2%) maturing on July 22, 2011	15,000	15,000
	\$ 1,744,514	\$ 1,425,152

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(expressed in Canadian dollars)

3. Financial Instruments (continued)

(d) 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 three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

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

The Company's cash and cash equivalents consist of cash held in bank accounts and a term deposit that earns interest at 0.5%. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2010.

Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. Given the balance of the term deposit at the year-end, any fluctuations in the interest rate would lead to an immaterial change in net loss and comprehensive loss.

(ii) Foreign currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company has cash at banks denominated in US dollars. The foreign currency risk arises primarily as a result of the Company having US dollar denominated bank accounts. The financial position of the Company may vary at the time that a change in foreign currency rate occurs, causing the impact on the Company's results to differ from that shown above. For the year ended December 31, 2010, the impact of the fluctuation in exchange rates had been immaterial.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its marketable securities. Given the limited change in the fair market value of marketable securities in the past year, estimated fluctuations in the market value would lead to an immaterial change in net loss and comprehensive loss.

There were no changes in the Company's approach to risk management during the year ended December 31, 2010.

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(expressed in Canadian dollars)

4. Marketable Securities

	2010			2009		
	Number of Shares	Cost	Market Value	Number of Shares	Cost	Market Value
Fjordland Exploration Inc.	1,517,647	\$ 211,353	\$ 349,059	1,517,647	\$ 211,353	\$ 159,353
Diamonds North Resources Ltd.	258,000	141,280	36,120	258,000	141,280	74,820
Uranium North Resources Corporation	333	333	60	333	333	30
Alto Ventures Ltd.	1,875,000	281,250	103,125	1,875,000	281,250	75,000
Bayswater Uranium Corp.	40	204	32	400	204	40
Global Gold Corporation	75,000	72,439	18,648	75,000	72,439	11,823
Pamlico Resources Ltd.	100,000	-	-	100,000	-	-
Stratabound Minerals Corp.	50,000	4,000	8,250	-	-	-
Total		\$ 710,859	\$515,294		\$706,859	\$321,066

During the year ended December 31, 2010, the Company received 50,000 common shares of Stratabound Minerals Corp. ("Stratabound") upon receipt of regulatory approval of an option agreement that provides Stratabound the right to earn an initial 60% interest in the Company's Nepisiguit and Stewart properties (Note 8(c)(ix)). Shares of Bayswater Uranium Corp. were consolidated on the basis of ten old shares for one new share.

5. Capital Management

The Company defines its capital as all components of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2010. The Company is not subject to externally imposed capital requirements.

6. Investment in Warrants

On June 4, 2009, the Company and Fjordland Explorations Inc. ("Fjordland") reached a settlement in respect to a shortfall on drilling by Fjordland on the Olympic and Rob properties as part of an option agreement between the parties dated August 2, 2006. Under the terms of the settlement, Fjordland issued 1,000,000 units consisting of one common share and one purchase warrant of Fjordland. Each warrant entitled the Company to purchase one common share at a price of \$0.16 until June 23, 2011. The common shares were recorded as marketable securities at market value (Note 4). The warrants are accounted for as a derivative instrument and recorded at fair value with changes in fair value recognized in the statements of operations.

The fair value of the warrants was estimated using the Black-Scholes option pricing model on receipt and recorded at \$68,200 as a recovery of mineral properties. During the year ended December 31, 2010, the unrealized gain on the 1,000,000 warrants was \$29,441 (2009 – loss \$1,600), which has been recognized in the statements of operations.

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7. Transaction with Maritime Resources Corp. (“Maritime”)

On October 5, 2010, the TSX Venture Exchange accepted for filing an Option Agreement between the Company and Maritime (formerly BMB Capital Corp.) dated June 14, 2010. Maritime’s common shares commenced trading under the new name as a tier 2 issuer on the TSX Venture Exchange. The Company received 12,000,000 common shares from Maritime in exchange for a 50% interest in the Green Bay Property, located in the King’s Point area, Newfoundland. Maritime is responsible for funding all exploration expenditures and is committed to conducting \$750,000 of mineral exploration activities on the property by April 5, 2012 (Note 8(b)).

As a result of the above transaction, the Company acquired a controlling interest of 55.81% of Maritime’s issued and outstanding shares and has consolidated the results of Maritime from October 5, 2010, the date of acquisition. The Company has recorded the interest in the Green Bay Property at its carrying value as it has retained control of the property. Maritime is considered a subsidiary of Commander at this stage and its financial results are consolidated into Commander’s financial statements. Additional information on Maritime, as a publicly listed company, is available on the Internet at the SEDAR website, www.sedar.com and Maritime’s website, www.maritimeresourcescorp.com.

The fair value of Maritime’s net assets were as follows:

Cash and cash equivalents	\$	1,174,263
Prepaid expenses		11,013
Accounts receivable		6,502
Mineral properties		30,374
Accounts payable		(6,452)
Net Assets	\$	1,215,700

The amount of gain recognized in the statements of operations is as follows:

Carrying value of Green Bay Property	\$	(127,480)
Fair value of net assets acquired		678,531
Gain on acquisition	\$	551,051

The amount of non-controlling interest as at December 31, 2010 is as follows:

Maritime on acquisition	\$	664,649
Share of post acquisition loss for the year		(102,404)
Share of post acquisition option compensation		81,703
Balance at December 31, 2010	\$	643,948

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8. Mineral Properties

At December 31, 2010 and 2009, mineral properties are comprised of properties located in Canada. Expenditures incurred on mineral properties are as follows:

	Baffin, Nunavut		Green Bay, Newfoundland	Other Properties	Total
	Qimmiq	Bravo Lake			
Balance at					
December 31, 2009	\$ 9,744,370	\$ 2,528,803	\$ 536,185	\$ 9,248,027	\$ 22,057,385
Additions during the year:					
Acquisition costs	-	-	64,563	6,870	71,433
Exploration costs:					
Drilling	5,565,863	5,014	5,695	6,678	5,583,250
Geochemistry	28,556	-	-	538	29,094
Geology	458,821	34,571	61,634	38,003	593,029
Geophysics	201,842	-	95,224	1,400	298,466
Environment	139,744	19,293	-	-	159,037
Property	70,721	246	5,818	19,324	96,109
Trenching/line cutting	538	-	-	-	538
Other	212,165	495	149	1,746	214,555
	6,678,250	59,619	168,520	67,689	6,974,078
Less:					
Recoveries	(6,453,880)	(29,558)	-	(54,402)	(6,537,840)
Write down	-	-	-	(784,776)	(784,776)
	(6,453,880)	(29,558)	-	(839,178)	(7,322,616)
Net additions	224,370	30,061	233,083	(764,619)	(277,105)
Balance at					
December 31, 2010	\$ 9,968,740	\$ 2,558,864	\$ 769,268	\$ 8,483,408	\$ 21,780,280

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8. Mineral Properties (continued)

	Baffin, Nunavut		Green Bay, Newfoundland	Other Properties	Total
	Qimmiq	Bravo Lake			
Balance at					
December 31, 2008	\$ 9,924,937	\$ 2,443,415	\$ 492,882	\$ 9,345,715	\$ 22,206,949
Additions during the year:					
Acquisition costs	-	625,000	-	-	625,000
Exploration costs:					
Drilling	16,561	-	1,200	26,225	43,986
Geochemistry	24,631	-	-	124	24,755
Geology	505,849	29,409	32,521	65,538	633,317
Geophysics	87,389	-	-	700	88,089
Mobilization/demobilization	55,926	3,870	-	-	59,796
Environment	-	-	-	1,083	1,083
Property	76,252	429	9,432	16,254	102,367
Prospecting	1,846	-	-	-	1,846
Trenching/line cutting	30,699	-	-	-	30,699
Other	12,720	1,680	150	-	14,550
	811,873	35,388	43,303	109,924	1,000,488
Less:					
Recoveries	(992,440)	(575,000)	-	(193,850)	(1,761,290)
Write down	-	-	-	(13,762)	(13,762)
	(992,440)	(575,000)	-	(207,612)	(1,775,052)
Net additions	(180,567)	85,388	43,303	(97,688)	(149,564)
Balance at					
December 31, 2009	\$ 9,744,370	\$ 2,528,803	\$ 536,185	\$ 9,248,027	\$ 22,057,385

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8. Mineral Properties (continued)

(a) Baffin Island Properties, Nunavut

The Baffin Island Properties consist of two separate properties named Qimmiq and Bravo Lake. The Company owns 100% of the Qimmiq property, subject to an underlying agreement with Nunavut Tunngavik Incorporated (“NTI”) and certain future considerations to BHP Billiton (“BHP Billiton”). The Company owns 100% of the Bravo Lake property subject to certain future considerations to Xstrata Nickel (“Xstrata”), a business unit of Xstrata Canada Corporation, as further described under the property headings below. The Company earned a 100% interest in the Bravo Lake property by exercising its right under a Purchase Letter between the parties dated May 1, 2008.

On September 3, 2009, as amended on November 19, 2009, the Company entered into a Farm-in and Joint Venture Agreement (“Agreement”) with AngloGold Ashanti Limited’s subsidiary, AngloGold Ashanti Holdings Plc (“AngloGold”), related to both the Qimmiq and Bravo properties (collectively, “Baffin Properties”). Pursuant to the Agreement, AngloGold may earn a 51% participating interest in the Baffin Properties by funding \$20 million by December 31, 2014, with an additional requirement to fund \$5.5 million of the \$20 million in exploration expenditures before December 31, 2010. The initial commitment included completion of a minimum of 3,000 metres of diamond drilling. Additional terms of the Agreement are as follows:

- The Company will manage the exploration for the initial two-year committed program period. In addition, AngloGold will pay a 10% management fee to the Company on all exploration expenditures incurred on the project during that period, which are treated as part of the exploration expenditures to be funded by AngloGold. Accordingly, these amounts have been presented as a recovery to the relevant property;
- AngloGold at its option, advanced a cash payment of \$575,000 to the Company so that the Company could exercise its right to purchase the remaining interest in the Bravo Lake (“Bravo Lake”) property to 100%, which is treated as part of the exploration expenditures to be funded by AngloGold. Accordingly, these amounts have been presented as a recovery to the relevant property in 2009; and
- Once AngloGold has vested a 51% interest in the Baffin Properties, a 51:49 joint venture will be formed between AngloGold and the Company. AngloGold may then elect within 60 days of vesting to increase its interest in the property to 70% by funding all on-going expenditures to complete a feasibility study within four years on at least one of the prospects on the Baffin Properties.

As part of the Agreement, on November 19, 2009, Ashanti Goldfields Services Limited, a wholly owned subsidiary of AngloGold, subscribed for and was issued a total of 10,000,000 units of the Company for gross proceeds of \$1.2 million. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at a price of \$0.24 until November 17, 2011. Under the Agreement, AngloGold is required to hold at least a 10% equity stake in the Company and has the right, subject to TSX Venture Exchange approval, to participate in future private placements in order to meet its equity commitment in the Company under this Agreement.

For the year ended December 31, 2010, total recoveries on the Baffin Island Properties from AngloGold amounted to \$6,483,438, including management fee of \$543,441 (2009 - \$992,440, including management fee of \$149,437).

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8. Mineral Properties (continued)

(a) Baffin Island Properties, Nunavut (continued)

(i) Qimmiq

On February 22, 2008, the Company and BHP Billiton ("BHP") signed an Option Acceleration Agreement ("Revised Agreement"), providing the Company the option to accelerate its rights to earn a 100% interest in the Qimmiq Property by paying the lump sum of \$400,000 in cash to BHP on or before September 30, 2008. The deadline for this cash payment was subsequently extended to April 30, 2009 through a series of amending letters with the final letter dated February 25, 2009. On April 30, 2009, the Company exercised its right to accelerate its interest to 100% in the Property after BHP agreed to waive the \$400,000 cash payment required under the Option Acceleration Agreement. The Revised Agreement is now the only agreement between the Company and BHP pertaining to the Qimmiq Property.

Under the Revised Agreement, BHP retains the Right of First Refusal ("ROFR") to purchase all or any portion of the concentrates or other such mineral products produced only from non-gold resources on the Property. For the first four years of commercial production, BHP's ROFR would apply to 50% of the non-gold concentrates; the other 50% of the non-gold concentrates available for the Company to support or facilitate mine financing terms and other project capitalization and BHP shall retain a ROFR to match such financing terms. The Company will retain 100% control over the sale and marketing of all gold concentrates or gold products produced from the Qimmiq Property. The Revised Agreement is subject to a variable net smelter return ("NSR") gold royalty ranging from 1% to 3% based on gold prices (royalties are now held by International Royalty Corporation) and the terms and conditions of the underlying Nunavut Tunngavik Inc. (NTI) agreements, which include a 12% royalty to NTI on net profits payable on production.

(ii) Bravo Lake

The Company currently owns 100% of the Bravo property. Previously, the Company operated the Bravo Lake property under a Letter Agreement with Xstrata since 2003. Under this agreement, the Company had the right to earn a 100% interest in the property by incurring \$8 million of exploration expenditures on the property by 2011. Xstrata held certain back-in rights to nickel, base metal or diamond deposits. There were no back-in rights to gold deposits. The property is subject to certain royalties payable to Xstrata including a sliding scale NSR from 1% to 3% on gold production, a 2% NSR on nickel production, a 1.5% NSR on (non-nickel) base metal production and a 2% gross overriding royalty on diamond production. The property was expanded by staking in September 2009 with the addition of 42 mineral claims totalling 34,964 hectares.

On May 1, 2008, the Company entered into a Purchase Letter with Xstrata providing the Company the option to accelerate its ownership in the Bravo property to 100% for total cash payments to Xstrata of \$750,000 by December 31, 2008. In an amending letter dated November 13, 2008, the deadline for the unpaid balance of \$575,000 was extended to June 30, 2009 and further extended to December 31, 2009.

On December 7, 2009, the Company completed the purchase from Xstrata of a 100% interest in the Bravo property thereby eliminating all remaining earn-in expenditures and extinguishing Xstrata's back-in rights. Xstrata retains a ROFR to purchase all or any portion of the concentrates or other such mineral products produced from any non-gold resource on the property. For the first four years of commercial production, Xstrata's right would apply to 50% of the concentrates; the other 50% of the concentrates available for the Company to support or facilitate mine financing terms and other project capitalization and Xstrata shall retain a ROFR to match such financing terms. Xstrata also retains the royalties provided under the original Letter Agreement but under the Purchase Letter, 50% of the royalties may be purchased by the Company for \$1 million at any time up to commencement of commercial production.

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8. Mineral Properties (continued)

(b) Green Bay, Newfoundland

The primary assets on the Green Bay Property are the Orion Gold Deposit (“Orion”) and the surrounding exploration lands. Orion is located 14 kilometres northwest of Springdale, Newfoundland.

The Company held a 100% interest in the Green Bay property, which includes Orion. Orion contains an Inferred Resource of 119,000 ounces of gold contained within 710,285 tonnes average grading 5.227 g/t Au using a 3 g/t cut-off grade, as defined in a 43-101 Technical Report published in July 2010.

On October 5, 2010, the Company entered into an Option Agreement with Maritime for the right to acquire a 50% interest in the Green Bay Property, located in the King's Point area, Newfoundland, by issuing to the Company 12,000,000 common shares. In addition, Maritime is responsible for funding all exploration expenditures and is committed to conducting \$750,000 of mineral exploration activities on the Property by April 5, 2012. The Option Agreement also provides Maritime the further option of increasing its ownership in the Property to 100% by issuing 5,000,000 additional common shares to the Company before the earlier of the date of commencement of commercial production and the expiry date of 5 years after the acquisition of the Initial Interest. In the event Maritime exercises the Second Option to acquire a 100% interest in the Property, the 100% interest of Maritime in the Property will be subject to a 2% NSR.

Once Maritime vests its Initial Interest and completes the committed expenditures, it may elect not to increase its interest to 100% in which event the parties agree that further exploration and development on the Green Bay Property will be operated under a 50/50 Joint Venture (“JV”) between the parties in accordance with standard industry terms. It is agreed that for the purposes of the JV, the deemed expenditures will be calculated based on the actual expenditures incurred by Maritime from the approval date to the date of its election to form a JV. Furthermore it is agreed that at that time, the Company’s deemed expenditures shall be calculated at one and one-half times (150%) Maritime’s actual expenditures, but remain as a 50:50 JV. For greater clarity, should a JV be formed, The Company’s 50% interest will be carried until Maritime’s actual expenditures equal the Company’s deemed expenditures.

The exploration lands outside the current boundary of Orion shall be subject to a 2% NSR payable to the Company with Maritime having the right to acquire 50% of the NSR for \$1,000,000 at any time up to commercial production from the exploration lands.

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8. Mineral Properties (continued)**(c) Other properties**

The Company owns several other properties in Canada in which it holds interests ranging from 10% to 100%. The Company has granted options on some of these properties. The carrying values of those properties included under Other Properties at December 31, 2010 and 2009 are as follows:

	Ownership %	2010	2009
Labrador Properties			
Adlatok 1 (i)	72.696	\$ -	\$ 736,151
Sadie	100.00	127,856	127,856
Sally	100.00	393,127	391,986
Sandy	100.00	11,462	-
Sango River (ii)	100.00	-	48,625
Sarah Lake (iii)	48.20	1,760,949	1,752,449
Nunavut			
Storm (iv)	100.00	116,144	120,476
Dewar Lake	-	516	516
Newfoundland			
Hermitage (v)(a)	100.00	2,748,351	2,730,550
Strickland (v)(b)	100.00	926,545	922,497
Cochrane Pond (v)(c)	50.00	48,978	48,950
Others	100.00	92,563	92,563
Yukon			
Olympic, Rob (vi)	100.00	862,931	853,507
British Columbia			
Abe, Pal, Hal, Hunter and Takla (vii)	100.00	110,923	110,593
Aten, Mate and Tut (vii)	100.00	1,250	1,250
Tam (viii)	10.00	9,524	44,524
New Brunswick			
Nepisiguit/Stewart (ix)	100.00	1,130,978	1,129,311
Ontario			
Matheson	41.36	14,213	14,213
McVean	100.00	71	-
Sabin	100 - 58.50	127,027	122,010
Total Other Properties		\$ 8,483,408	\$ 9,248,027

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8. Mineral Properties (continued)

(c) Other properties (continued)

(i) Adatok 1, Labrador

The Adatok 1 property had been written down as the claim was expired.

(ii) Sango River, Labrador

The Sango River property had been written down as the claim was expired.

(iii) Sarah Lake, Labrador

The Company owns a 48.2% interest in the Sarah Lake property. Donner Metals Ltd. ("Donner Metals") owns 51.8% and is the operator of the property.

(iv) Storm Property, Nunavut

The Company acquired three prospecting permits on February 1, 2008 for a \$15,000 cash deposit. The permits are good for a five-year term and the \$15,000 deposit is refundable on completion of an equivalent amount of exploration work in the first two years. On February 1, 2010, the Company was awarded a fourth five-year Prospecting Permit expanding the property size by 54,265 acres with a deposit of \$5,427.

(v) Hermitage Project, Newfoundland

(a) Hermitage

The Company owns 100% of the Blue Hills and White Bear properties subject to a 2% NSR for the original property owners. One-half of the NSR may be purchased for \$1 million.

On the adjacent Couteau Lake Property, the option agreement allowing the Company to earn a 100% interest was extended by amending agreements such that the expiry date of the option is changed to April 2, 2010. The agreement is subject to a 2% NSR for the vendor with a buy-back of one-half of the NSR for \$1 million. In a letter dated May 3, 2010 and executed on May 17, 2010, the option was terminated with no further obligations to the Company.

(b) Strickland

The Strickland Property consists of 147 claims southwest of the Hermitage Property.

The Quinlan Option agreement, originally executed on August 16, 2006 to cover a small claim block surrounded by the Strickland Property, was terminated by the Company on June 24, 2009.

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8. Mineral Properties (continued)

(c) Other properties (continued)

(v) Hermitage Project, Newfoundland (continued)

(c) Cochrane Pond

The Property is owned 50% by the Company and 50% by Bayswater Uranium Corporation under a Joint Venture Agreement dated June 19, 2006 ("CPJV").

On November 13, 2008, CPJV entered into a Royalty Agreement ("Agreement") with Global Gold Uranium LLC ("Global Gold Uranium"), a wholly owned subsidiary of Global Gold Corporation ("Global Gold") following termination of a previous option agreement between the parties. Under the Agreement, CPJV provided Global Gold Uranium a 1% royalty on sales of uranium products extracted from the property in consideration for a cash payment of US\$50,000 to CPJV. The royalty is capped such that it will be reduced to 0.50% after the total royalty payments from production to Global Gold Uranium reach \$1 million.

(vi) Olympic & Rob, Yukon

The Company owns 100% of the Olympic and Rob properties subject to a 1% NSR registered to Blackstone Ventures Inc. on the Rob property. The NSR may be reduced to 0.50% at any time for \$1 million.

An option agreement dated May 1, 2008 between the Company and Global Resources Corporation Pty Ltd. ("GRC"), a privately held Australian company that provided GRC the option to earn an initial 50% interest in the property, was terminated by the parties October 31, 2008 because GRC was unable to complete a planned Initial Public Offering as required under the agreement.

(vii) Abe, Pal, Hal, Hunter, Takla, Aten, Mate and Tut, British Columbia

The Company owns a 100% interest in the properties located within the Quesnel Trough of British Columbia. The vendor of the property retains a 1% NSR in the Abe and Pal properties and will participate in certain cash or share considerations received from the future sale or option of the properties to a third party.

(viii) Tam, British Columbia

The Company owns a 10% carried interest in the property. The Company will receive 50% of any royalties granted to the underlying owner under any subsequent third party agreement on the property.

Under an agreement dated February 13, 2006 between the underlying owners and Teck Cominco Limited ("Teck Cominco"), the Company received a cash payment of \$2,500. In addition, the Company is entitled to a 1.5% NSR of which \$250,000 is payable as an advance royalty starting on December 31, 2012. This royalty is subject to a buy-down provision that, if exercised, would pay \$1 million to the Company.

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8. Mineral Properties (continued)

(c) Other properties (continued)

(ix) Nepisiguit/Stewart, New Brunswick

The Company owns 100% of the properties located in the Bathurst Mining Camp of New Brunswick, subject to a 2.75% NSR retained by BHP. The NSR is subject to a buy-down to 1% NSR for \$1.5 million at any time.

On July 29, 2010, the Company announced that it had entered into an option agreement with Stratabound providing Stratabound the right to earn an initial 60% interest in the Company's Nepisiguit and Stewart properties.

Under the terms of the option, Stratabound has the right to earn an initial 60% participating interest in the Properties over a 5 year period by issuing to the Company 400,000 Stratabound shares and completing \$1,500,000 in eligible exploration expenditures. Stratabound would issue 50,000 common shares to the Company upon receipt of regulatory approval, and agrees to committed expenditures of \$150,000 on the Properties in the first year, of which \$50,000 must be expended by October 30, 2010. The first year's committed program must include at least 1,000 metres of diamond drilling.

Upon vesting its 60% interest, Stratabound may then, within 60 days, elect to increase its interest to 65% by incurring an additional \$1,000,000 in eligible expenditures over a two year period and issuing an additional 100,000 Stratabound shares to the Company.

Once a joint venture is formed the Company may elect at any time to convert its interest into a 1% NSR. Stratabound will have the option, for 12 months following the Company's election, to buy one-half of the royalty on either property for \$1,000,000, or to buy one-half of the royalty on both properties for \$2,000,000.

Stratabound will be the operator during the term of the option, and will be the initial operator pursuant to any joint venture agreement entered into by the parties thereafter.

The initial 50,000 common shares of Stratabound were received and are included in marketable securities.

Environmental

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

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 resource properties, the potential for production on the properties may be diminished or negated.

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8. Mineral Properties (continued)**Title to resource properties**

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

Realization of assets

The resource properties comprise substantially all of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

9. Property and Equipment

	Cost	Accumulated Amortization	2010 Net Book Value
Furniture and fixtures	\$ 59,910	\$ 57,754	\$ 2,156
Computer equipment	183,217	169,970	13,247
Leasehold improvements	3,528	353	3,175
	\$ 246,655	\$ 228,077	\$ 18,578

	Cost	Accumulated Amortization	2009 Net Book Value
Furniture and fixtures	\$ 57,240	\$ 57,240	\$ -
Computer equipment	169,951	161,754	8,197
Leasehold improvements	28,293	25,935	2,358
	\$ 255,484	\$ 244,929	\$ 10,555

During the year, the Company removed \$28,293 of leasehold improvements that were fully amortized from cost and accumulated amortization relating to the Company's old premise.

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10. Share Capital**(a) Authorized**

Unlimited common shares without par value

(b) Shares issued

During the year ended December 31, 2010, the Company issued 735,000 common shares on the exercise of options by officers, consultants and employees at an average price of \$0.18 per share. Total proceeds received upon exercise were \$129,650.

(c) Stock options

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. Under the Company's Stock Option Plan, the Company may grant stock options for the purchase of up to 18,000,000 common shares. Vesting of stock options is made at the discretion of the board of directors at the time the options are granted.

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

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2008	6,762,000	\$0.36
Granted	2,406,000	\$0.10
Exercised	(635,000)	\$0.10
Expired	(1,669,000)	\$0.53
Outstanding at December 31, 2009	6,864,000	\$0.25
Granted	2,673,500	\$0.33
Exercised	(735,000)	\$0.18
Outstanding at December 31, 2010	8,802,500	\$0.28

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10. Share Capital (continued)(c) **Stock options** (continued)

The following summarizes information about stock options outstanding as at December 31, 2010:

Number of Shares	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price
282,000	\$0.39	May 7, 2011		
646,500	\$0.30	June 19, 2011		
400,000	\$0.87	January 2, 2012		
200,000	\$0.41	May 8, 2012		
1,196,500	\$0.36	June 7, 2012		
70,000	\$0.19	December 21, 2012		
760,000	\$0.18	February 7, 2013		
200,000	\$0.21	June 24, 2013		
280,000	\$0.10	October 17, 2013		
700,000	\$0.10	February 20, 2014		
1,394,000	\$0.10	May 12, 2014		
200,000	\$0.39	January 19, 2015		
1,778,500	\$0.35	January 27, 2015		
95,000	\$0.35	January 27, 2015		
500,000	\$0.27	May 25, 2015		
100,000	\$0.18	October 6, 2015		
8,802,500			2.71	\$0.28

At December 31, 2010, the Company had stock options outstanding for the purchase of 8,802,500 common shares with an average remaining contractual life of 2.71 years, with 8,678,750 shares exercisable at December 31, 2010 with a weighted average exercise price of \$0.28 and a weighted average remaining contractual life in years of 2.64.

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

	2010	2009
Risk-free interest rate	1.90%	1.87%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	92.32%	107.71%
Expected option life in years	5	5
Grant date fair value	\$0.210	\$0.061

COMMANDER RESOURCES LTD.

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Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(expressed in Canadian dollars)

10. Share Capital (continued)**(c) Stock options** (continued)

Stock-based compensation expenses included in the statements of operations for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Accounting and audit	\$ 11,702	\$ 4,320
Consultants	257,754	67,132
Investor relations	19,259	3,889
Salaries and benefits	271,850	94,478
	560,565	169,819
Maritime	184,906	-
Total	\$ 745,471	\$ 169,819

(d) Warrants and agent's warrants

The following warrants are outstanding at December 31, 2010 and 2009:

Exercise Price	Expiry Date	2009	2010
		Outstanding	Outstanding
\$0.24	November 17, 2011	5,000,000	5,000,000
		5,000,000	5,000,000

11. Related Party Transactions

In addition to the related party transactions disclosed elsewhere in these consolidated financial statements, the Company has the following related party transactions and balances:

- (a) During the year ended December 31, 2010, the Company incurred \$18,617 (2009 - \$8,713) in legal fees, share issuance costs and mineral properties costs to a law firm in which a director of the Company is a partner. As at December 31, 2010, \$836 (2009 - \$219) was payable to the law firm. The Company also incurred \$98,150 (2009 - \$80,100) in accounting and consulting fees to three companies (2009 - two companies) controlled by three officers (2009 - two officers) of the Company.
- (b) During the year ended December 31, 2010, the Company incurred \$17,520 (2009 - \$Nil) in consulting fees to five directors of the Company.
- (c) Included in marketable securities as at December 31, 2010 are 258,000 (2009 - 258,000) common shares of Diamonds North Resources Ltd., a company related by virtue of a director in common.
- (d) Accounts payable and accrued liabilities as at December 31, 2010 includes \$3,848 (2009 - \$2,946) payable to a company related by common directors.

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For the Years Ended December 31, 2010 and 2009

(expressed in Canadian dollars)

11. Related Party Transactions (continued)

- (e) The Company sub-leases office space with a company related by virtue of directors in common. The amount of rent paid to that company during the year ended December 31, 2010 amounted to \$65,445 (2009 - \$66,421).

Related party transactions are recorded at the exchange amount being the amount agreed upon by both parties and have no interest or stated terms of repayment.

12. Commitments

The Company shares the cost of the office premises with several companies based on the proportion of the area occupied. The lease of the office premises was signed by one of the companies and that company invoices other companies. Certain of the companies are related by virtue of directors in common. The approximate annual minimum lease commitments are as follows:

Leases		Total
2011	\$	36,373
2012		38,348
2013		40,323
2014		41,475
2015		27,650
Total		\$ 184,169

13. Segmented Information

The Company has one operating segment, mineral property exploration, and all assets of the Company are located in Canada.

14. Supplemental Cash Flow Information

	2010		2009	
Significant non-cash, investing and financing activities:				
Investing activities:				
Marketable securities received for mineral property	\$	4,000	\$	110,000
Warrants received for mineral property		-		68,200
	\$	4,000	\$	178,200
Financing activity:				
Fair value of options exercised	\$	88,389	\$	-
	\$	88,389	\$	-
Other cash flow information:				
Interest received	\$	1,635	\$	1,592
Interest paid	\$	-	\$	-
Income taxes paid	\$	-	\$	-

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Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(expressed in Canadian dollars)

15. Income Taxes

As at December 31, 2010, the Company has non-capital losses of \$6,465,800, which may be applied against future income for Canadian income tax purposes. The potential income tax benefits of these losses have been recognized in these consolidated financial statements against future income tax liabilities. The losses expire as follows:

2014	\$	891,400
2015		705,800
2026		927,300
2027		1,072,300
2028		914,100
2029		801,900
2030		1,153,000
Total	\$	6,465,800

The reconciliation of income tax recovery computed at Canadian statutory rates (2010 – 28.50%, 2009 – 30.00%) to the reported income tax recovery is as follows:

	2010	2009
Income tax benefit computed at Canadian statutory rates	\$ (223,099)	\$ (245,754)
Permanent differences		
Stock-based compensation	212,459	50,946
Loss on marketable securities	-	3,482
Change in timing differences for the year (other temporary differences)	(470,327)	(6,991)
Change in valuation allowance	419,747	(265,000)
Effect on changes in tax rate	40,355	(128,459)
	\$ (20,865)	\$ (591,776)

COMMANDER RESOURCES LTD.

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Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2010 and 2009

(expressed in Canadian dollars)

15. Income Taxes (Continued)

Future income tax assets and liabilities are recognized for temporary differences between the carrying amounts of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates are as follows:

	2010	2009
Future income tax liabilities		
Temporary differences on mineral properties	\$ (2,728,471)	\$ (2,924,665)
Temporary differences on derivative instrument	(3,480)	-
Total future tax liabilities	(2,731,951)	(2,924,665)
Future income tax assets		
Non-capital losses carried forward	1,616,442	1,292,021
Share issue costs	36,394	57,661
Temporary differences on marketable securities	16,910	40,689
Difference between undepreciated capital cost over net book value of property and equipment	57,136	61,349
Total future tax assets	1,726,882	1,451,720
Valuation allowance	(470,790)	-
Future income tax liabilities, net	\$ (1,475,859)	\$ (1,472,945)

The Company's future income tax liability arises primarily from the renunciation of mineral exploration costs on flow-through shares issued to investors. Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares.

During December 31, 2010, the Company renounced \$Nil in flow-through expenditures (2009 - \$1,992,222). As at December 31, 2010, the amount of flow-through proceeds remaining to be expended was \$Nil (2009 - \$Nil).

16. Subsequent Events

The Company granted 2,020,000 incentive stock options on February 11, 2011 to directors, officers, employees and consultants under its stock option plan, in accordance with the Company's compensation policy. The options are exercisable for five years at a price of \$0.185 per share, and are subject to the policies of the TSX Venture Exchange.

17. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the presentation adopted for the current year.



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Director

Michael Chen, CPA, MBA
Chief Financial Officer

Janice Davies
Corporate Secretary

LISTINGS

TSX Venture Exchange: CMD
U.S. 12g Exemption: #82-2996

CAPITALIZATION

(As at December 31, 2010)

Shares Authorized: Unlimited
Shares Issued: 90,942,516

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