

GEODEX MINERALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

To the Shareholders of
Geodex Minerals Ltd.

Re: Responsibility for Financial Statements

The interim consolidated financial statements of Geodex Minerals Ltd. have been prepared by and are the responsibility of the Company's management. They include the selection of appropriate accounting principles, judgements and estimates necessary to comply with Canadian generally accepted accounting principles.

The auditors of Geodex Minerals Ltd. have not performed a review of these unaudited consolidated interim financial statements.

Yours Truly

"Mark Fields"

Mark Fields
CEO

GEODEX MINERALS LTD.
CONSOLIDATED BALANCE SHEET
(Unaudited)

	Dec. 31, 2010	March 31, 2010
ASSETS		
Current		
Cash and equivalents	\$ 1,181,990	\$ 748,565
Receivables	56,116	80,865
Marketable securities (Note 3)	<u>1</u>	<u>1</u>
	1,238,107	829,431
Equipment (Note 4)	38,344	68,131
Mineral properties (Note 5)	7,236,265	7,194,206
Deferred exploration costs (Note 6)	<u>15,845,670</u>	<u>15,421,787</u>
	<u>\$ 24,358,386</u>	<u>\$ 23,513,555</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 84,135	\$ 189,003
Loan payable (Note 14)	<u>2,596</u>	<u>19,468</u>
	86,731	208,471
Loan payable (Note 14)	811	1,622
Future income tax liability	<u>3,557,000</u>	<u>3,557,000</u>
	<u>3,644,542</u>	<u>3,767,093</u>
Shareholders' equity		
Capital stock (Note 7)	38,724,305	37,177,805
Contributed surplus (Note 7)	3,112,368	3,067,435
Deficit	<u>(21,122,829)</u>	<u>(20,498,778)</u>
	<u>20,713,844</u>	<u>19,746,462</u>
	<u>\$ 24,358,386</u>	<u>\$ 23,513,555</u>

Nature of operations and going concern (Note 1)

Nature of operations and going concern (Note 1)

Commitments (Note 14)

On behalf of the Board:

"Jack Maris" Director "Jack Marr" Director

The accompanying notes are an integral part of these consolidated financial statements.

GEODEX MINERALS LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited)

	Nine months ended December 31, 2010	Nine months ended December 31, 2009	Three months ended December 31, 2010	Three months ended December 31, 2009
EXPENSES				
Accounting and audit	\$ 59,150	\$ 75,029	\$ (15,690)	\$ 20,000
Amortization	7,905	57,549	2,635	19,183
Consulting	34,607	25,141	17,500	5,661
Investor relations	67,893	84,314	22,124	35,409
Insurance	18,045	16,633	-	-
Legal	75,726	16,446	47,932	6,413
Management fees	22,500	30,000	7,500	7,500
Office and miscellaneous	24,173	28,945	7,485	10,523
Rent	48,532	55,120	16,177	17,103
Salaries and benefits	168,108	123,661	47,032	28,375
Stock based compensation	44,933	25,589	25,615	-
Transfer agent and regulatory fees	20,069	16,977	11,381	11,042
Travel and promotion	16,937	40,327	11,768	32,053
	<u>(608,578)</u>	<u>(595,731)</u>	<u>(201,459)</u>	<u>(193,262)</u>
OTHER ITEMS				
Other income	-	927	-	-
Loss on sale of assets	(10,924)	-	-	-
Property expenditures	(4,549)	-	-	-
Unrealized gain (loss) on marketable securities	-	36,439	-	-
Write-off of mineral properties	-	(13,676)	-	-
Write-off of deferred exploration costs	-	(13,922)	-	-
	<u>(15,473)</u>	<u>9,768</u>	<u>-</u>	<u>-</u>
Loss for the period	(624,051)	(585,963)	(201,459)	(193,262)
Deficit, beginning of period	<u>(20,498,778)</u>	<u>(19,061,546)</u>	<u>(20,921,370)</u>	<u>(19,454,247)</u>
Deficit, end of period	\$ (21,122,829)	\$ (19,647,509)	\$ (21,122,829)	\$ (19,647,509)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	101,670,240	87,925,985	100,378,349	88,397,979

The accompanying notes are an integral part of these consolidated financial statements.

GEODEX MINERALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended December 31, 2010	Nine months ended December 31, 2009	Three months ended December 31, 2010	Three months ended December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (624,051)	\$ (585,963)	\$ (201,459)	\$ (193,262)
Items not affecting cash:				
Amortization	7,905	57,549	2,635	19,183
Write-off of mineral properties	-	13,676	-	-
Write-off of deferred exploration	-	13,922	-	-
Unrealized (gain) loss on marketable securities	-	-	-	36,439
Stock based compensation	44,933	25,589	25,615	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	24,749	(17,914)	(7,732)	17,619
Increase (decrease) in accounts payable and accrued liabilities	<u>(104,868)</u>	<u>(69,687)</u>	<u>(26,828)</u>	<u>2,912</u>
Net cash used in operating activities	<u>(651,332)</u>	<u>(562,828)</u>	<u>(207,769)</u>	<u>(117,109)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Loan	(17,683)	(21,901)	(2,433)	(7,300)
Mineral properties	(37,559)	(24,698)	(2,059)	(13,304)
Deferred exploration costs	(423,883)	(1,505,122)	(182,967)	(479,094)
Equipment acquired	<u>21,882</u>	<u>(807)</u>	<u>(1,042)</u>	<u>-</u>
Net cash used in investing activities	<u>(457,243)</u>	<u>(1,552,528)</u>	<u>(188,501)</u>	<u>(499,698)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Common shares issued	1,542,000	219,000	1,542,000	219,000
Sale of marketable securities	-	10,275	-	10,275
Share issue costs	<u>-</u>	<u>(27,227)</u>	<u>-</u>	<u>(27,227)</u>
Net cash provided by financing activities	<u>1,542,000</u>	<u>202,048</u>	<u>1,542,000</u>	<u>202,048</u>
Change in cash during the period	433,425	(1,913,308)	1,145,730	(414,759)
Cash, beginning of period	<u>748,565</u>	<u>2,111,493</u>	<u>36,260</u>	<u>612,944</u>
Cash, end of period	<u>\$ 1,181,990</u>	<u>\$ 198,185</u>	<u>\$ 1,181,990</u>	<u>\$ 198,185</u>

Supplemental disclosure with respect to cash flows (Note 10)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Geodex Minerals Ltd. (the “Company”) is incorporated under the British Columbia Business Corporations Act. The Company’s primary business is the acquisition and exploration of mineral properties. The Company is considered to be in the exploration stage.

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The amounts shown for mineral properties and related deferred exploration costs represent costs incurred to date and do not reflect present or future values. Accordingly, the recoverability of the capitalized costs shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company has reduced expenditures to conserve cash and will consider various alternatives to raise additional working capital including optioning off an interest in one or more of its properties, or completing a financing.

	Dec. 31, 2010	March 31, 2010
Working capital	\$ 1,151,376)	\$ 620,960
Deficit	(21,122,829)	(20,498,778)

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiary, Champlain Resources Incorporation, from the date of acquisition onward. All inter-company balances and transactions have been eliminated upon consolidation.

Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). All amounts, unless specifically indicated otherwise, are presented in Canadian dollars.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant estimates include the carrying value of mineral properties, deferred exploration costs, stock-based compensation and future income taxes. Actual results could differ from the estimates.

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading financial instruments, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured and reported on the balance sheet at fair value except, for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured and reported at amortized cost. Subsequent measurements and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes are recognized in net income (loss) in the year in which the change occurs. Available-for-sale financial assets are measured at fair value and changes are recognized in other comprehensive income until the financial instrument is derecognized or impaired.

The Company has classified its cash and equivalents and marketable securities as held-for-trading; receivables are classified as loans and receivables; and accounts payable and accrued liabilities and notes payable are classified as other financial liabilities.

The Company provides disclosure that enables users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

The Company also discloses financial instruments and non-financial derivatives classified from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

Equipment

Equipment is carried at cost. Amortization is calculated using the declining balance method applying the following annual rates:

Computer equipment	30%
Furniture and fixtures	20%
Vehicles	20%

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral properties

All costs related to the acquisition and exploration of mineral properties is capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and 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 mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties and deferred exploration costs do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

Foreign currency translation

The accounts of subsidiaries, which are integrated operations, are translated using the temporal method. Under the method, monetary assets and liabilities are translated at the year ended exchange rates while non-monetary assets and liabilities are transferred using historical rates of exchange. Revenue and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings. Exchange gains and losses are included in the statement of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation (cont'd...)

The monetary assets and liabilities of the Company denominated in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange in effect at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at rates approximating those on the transaction date. Exchange gains or losses arising on translation are included in the statement of operations.

Stock-based compensation

The Company uses the fair value based method of accounting for stock options granted to employees and directors and for compensatory agent warrants. Under this method, the fair value of the stock options at the date of the grant, as determined using the Black-Scholes option pricing model, is recognized to expense over the vesting period. If the stock options or agent warrants are exercised, the proceeds are credited to share capital and the fair value of the options exercised is reclassified from contributed surplus to share capital.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments on its loss per share. Under this method, the dilutive effect on basic loss per share is calculated assuming that all proceeds that could have been obtained through the exercise of stock options, warrants and/or similar instruments would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Loss per share is calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year.

Future income taxes

Future income taxes are recorded using the asset and liability method, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be in effect when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized as either income or expense in the year in which the enactment or substantive enactment occurs. In the event that the Company has determined that it is likely the future tax asset will not be fully recovered, a valuation allowance is recorded to reduce the amount of the future tax asset to its estimated recoverable value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Changes in accounting policies

Effective April 1, 2009, the Company adopted the following Canadian Institute of Chartered Accountants (“CICA”) standards:

Financial instruments - disclosures

CICA Handbook Section 3862, “Financial Instruments – Disclosures” was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

See Note 12 for relevant disclosure.

Goodwill and intangible assets

CICA Handbook Section 3064 “Goodwill and Intangible Assets” which replaces Section 3062, “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs.” It establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets, including those developed internally. The adoption of Section 3064 had no impact on the Company’s consolidated financial statements.

Recent accounting pronouncements

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-Controlling Interests” which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

International Financial Reporting Standards (“IFRS”)

In 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 date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be April 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011.

GEODEX MINERALS LTD.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2010

3. MARKETABLE SECURITIES

Marketable securities consist of shares held in a private company with a market value at December 31, 2010 of \$1 (2010 - \$1).

4. EQUIPMENT

	Dec. 31, 2010			March 31, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 46,509	\$ 33,813	\$ 12,696	\$ 45,468	\$ 30,432	\$ 15,036
Furniture and fixtures	47,434	41,272	6,162	47,434	40,186	7,248
Vehicles	<u>38,936</u>	<u>19,450</u>	<u>19,486</u>	<u>77,872</u>	<u>32,025</u>	<u>45,847</u>
	\$ 132,879	\$ 94,535	\$ 38,344	\$ 170,774	\$ 102,643	\$ 68,131

5. MINERAL PROPERTIES

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

	Dec. 31, 2010	March 31, 2010
Mount Pleasant South Properties, New Brunswick		
Kedron Property	\$ 21,073	\$ 18,603
Mount Pleasant Ridge Property	103,842	103,842
Mount Pleasant West Property	33,448	33,228
Murgor Property	146,176	146,176
Pershing Property	1,499,279	1,499,279
Union Property	247,373	247,373
Flume Ridge Property	<u>22,688</u>	<u>11,718</u>
	2,073,879	2,060,219
Sisson Property, New Brunswick	<u>5,162,386</u>	<u>5,133,987</u>
	\$ 7,236,265	\$ 7,194,206

5. MINERAL PROPERTIES (cont'd...)

Mount Pleasant South Properties, New Brunswick

During the year ended March 31, 2008 the Company entered into an agreement with Teck Cominco Limited ("Teck") on certain of its Mount Pleasant West properties.

During fiscal 2009 pursuant to a non-brokered private placement the Company issued 1,500,000 common shares to Teck for proceeds of \$1,500,000 with the proceeds to be expended on exploration on the Mount Pleasant properties.

Teck also provided an additional \$1,000,000 in exploration funding for this project consisting of \$500,000 under a convertible grid promissory note and \$500,000 for expenditures incurred on Teck's behalf. The convertible grid promissory note was converted into 2,000,000 units of the Company valued at \$500,000. Each unit consists of one common share and one share purchase warrant. One full warrant is exercisable into one additional common share at \$0.25 for two years.

During fiscal 2010, Teck elected not to exercise its option to acquire an interest in the Company's Mount Pleasant West project in New Brunswick. The Company had granted Teck an option, exercisable up to the latter of July 1, 2009 or 90 days after the receipt by Teck of the Initial Program Completion Notice from the Company on the Mount Pleasant properties, to elect to acquire a 51% interest in the Company's Mount Pleasant properties by spending \$6,500,000 on exploration over four years and a further 14% interest by spending a further \$15,000,000 within five years or by sole funding and completing a Feasibility Study within five years.

Kedron Property

During the year ended March 31, 2006 the Company acquired by staking, certain mineral claims in the Kedron, Beech Hill and Mag River properties.

Mount Pleasant Ridge Property

During the year ended March 31, 2006 the Company acquired an option to earn a 100% interest in certain mineral claims. To earn its interest the Company paid \$30,000 issued 150,000 common shares valued at \$72,500 and incurred expenditures of \$200,000. The optionors will retain a 2.0% NSR, half of which is subject to buyback at \$500,000 per 0.5%. The Company also acquired by staking additional claims on the property.

5. MINERAL PROPERTIES (cont'd...)

Mount Pleasant West Property

During the year ended March 31, 2006 the Company acquired by staking, certain mineral claims.

Murgor Property

During the year ended March 31, 2007 the Company entered into an option agreement to earn a 60% interest in certain mineral claims. To earn its interest the Company paid \$30,000, issued 200,000 common shares valued at \$131,000. The optionor retains a 1.0% NSR.

Pershing Property

During the year ended March 31, 2007 the Company entered into an option agreement to earn a 60% interest in certain mineral claims. To earn its interest the Company paid \$200,000, issued 2,000,000 common shares valued at \$1,284,000 and incurred aggregate exploration expenditures of \$500,000. The optionor retains a 2.5% NSR, 1% of which is subject to buyback at \$1,000,000.

Union Property

During the year ended March 31, 2006 the Company acquired an option to earn a 60% interest in certain mineral claims. To earn its interest the Company issued 500,000 common shares valued at \$238,000 and incurred aggregate expenditures of \$300,000. The Company can increase its ownership to 80% in the following two years by issuing an additional 500,000 common shares. The optionor retains a 1.5% NSR, 0.75% of which is subject to buyback at \$750,000.

Flume Ridge Property

During the year ended March 31, 2010 the Company entered into an option agreement to earn a 90% interest in certain mineral claims. To earn its interest the Company must pay \$30,000 (paid \$2,500) and issue 150,000 (issued 50,000 valued at \$7,000) common shares over a three year period. The Company has a minimum work commitment of \$20,000 in year one and \$100,000 by the end of year three. The vendor retains a 2% NSR and the Company has the right to purchase up to 1% at any time for \$500,000 per 0.5%.

Armstrong Brook Property, New Brunswick

Pursuant to an option agreement entered into during the year ended March 31, 2004 the Company acquired a 100% interest in the Armstrong Brook Property by issuing 600,000 common shares at a value of \$90,000, paying \$30,000 and expending in excess of \$300,000 on the property. The vendors retained a 1.5% royalty with certain buy back rights by the Company.

During the year ended March 31, 2006, the Company granted an option to purchase which was subsequently terminated and received \$15,000 and 100,000 common shares valued at \$50,000. Thereafter the Company entered into a new option to purchase with a company (the "Purchaser") whereby the Company granted an option to the Purchaser to acquire up to 65% of the Armstrong Brook Property. The Purchaser paid \$15,000 and issued 50,000 common shares valued at \$36,000 and is required to pay \$50,000, issue 150,000 common shares and incur expenditures of \$1,000,000 by December 31, 2008. The Purchaser can increase its interest to 75% by financing all of the exploration and development costs up to a feasibility study. A 1.5% NSR is payable to the original owners of

5. MINERAL PROPERTIES (cont'd...)

the claims. Subsequent to year end, the Company and Purchaser agreed to terminate the option agreement.

During the year ending March 31, 2010 all related property and deferred exploration costs for the Armstrong Brook property in the amount of \$730,179 have been written off. The mineral claims remain in good standing.

During the period ending September 30, 2010 the Company completed the purchase of an additional 14.3% indirect interest in the Sission Brook project for cash consideration and ceded a 100% interest in the Armstrong Brook property at a deemed value of \$200,000.

Harry Brook Property, New Brunswick

During the year ended March 31, 2006, the Company acquired by staking certain mineral claims.

During the year ending March 31, 2010 all related property and deferred exploration costs in the amount of \$61,580 for the remaining properties have been written off. The remaining mineral claims have expiry dates that occur within fiscal 2011.

Sisson Property, New Brunswick

During the year ended March 31, 2005, the Company acquired an option to earn a 70% interest in certain mineral claims. To earn its interest the Company paid \$200,000 and incurred exploration expenditures of \$2,000,000. The Company also staked additional claims.

During the year ending March 31, 2008 the Company increased its working interest in the Sisson property to 85.7% by acquiring a 52.3% controlling interest in Champlain Resources Inc., ("Champlain") whose principal asset is a 30% carried interest in the Sisson property, by paying \$4,164,250 and issuing 550,000 common shares valued at \$544,500.

During the period ending September 30, 2010 the Company acquired the remaining 14.3% of Champlain to acquire the remaining Sisson interests by paying total cash consideration of \$580,000 and a 100% interest in the Company's Armstrong Brook gold project for a deemed value of \$200,000

Manzerbrooke Property

During the year ended March 31, 2007 the Company acquired by staking certain mineral claims.

Nashwaak River

During the year ended March 31, 2008 the Company entered into an option agreement to earn a 90% interest in certain mineral claims. To earn its interest the Company is required to pay \$30,000 (paid) and issue 150,000 (issued) common shares issued valued at \$51,250 over a two year period. The optionors will retain a 2% NSR and the Company has the exclusive right to purchase half of the NSR (1%) for \$1,000,000. The Company has minimum work commitments of \$25,000 (incurred) to be incurred within one year, \$50,000 (incurred) within second year and \$100,000 within third year.

Burnt Hill

During the year ended March 31, 2010 the Burnt Hill Property was abandoned and all related property and deferred exploration costs in the amount of \$103,050 have been written off.

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5. MINERAL PROPERTIES (cont'd...)

Trout Brook

During the year ended March 31, 2010 the Trout Brook Property was abandoned and all related property and deferred exploration costs in the amount of \$13,466 have been written off.

Mount Pleasant West Properties, New Brunswick

The Company acquired additional mineral claim groups by staking and through option agreements which are not subject to the Teck Joint Venture agreement.

Lepreau Road

During the year ended March 31, 2007, the Company acquired by staking certain mineral claims.

During the year ended March 31, 2010 the Lepreau Road Property was abandoned and all related property and deferred exploration costs in the amount of \$14,131 have been written off.

6. DEFERRED EXPLORATION COSTS

Deferred exploration costs are comprised of the following:

December 31, 2010	Mount Pleasant South Properties	Sisson Property	Total
Balance, March 31, 2010	\$ 2,745,966	\$12,675,821	\$15,421,787
Assays	1,232	5,071	6,303
Environmental	-	34,807	34,807
Geological	22,515	28,925	51,440
Drilling	27,950	-	27,950
Metallurgical	-	79,413	79,413
Mapping	1,441	4,081	5,522
Office and field	11,377	201,474	212,851
Scoping study	-	12,480	12,480
Government assistance	(15,000)	-	(15,000)
Travel	3,859	4,258	8,117
	<u>53,374</u>	<u>370,509</u>	<u>423,883</u>
Balance, December 31, 2010	\$ 2,799,341	\$13,046,330	\$15,845,670

6. DEFERRED EXPLORATION COSTS (cont'd...)

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Deferred exploration costs are comprised of the following:

March 31, 2010	Mount Pleasant South Properties	Armstrong Brook Property	Harry Brook Property	Sisson Brook Property	Flume Ridge Property	Mount Pleasant West Properties	Total
Balance, March 31, 2009	\$ 2,410,064	\$ 665,528	\$ 54,404	\$11,515,522	\$ -	\$ 10,996	\$14,656,514
Assays	19,813	-	223	127,863	26,814	-	174,713
Drilling	41,459	-	-	444,567	55,899	-	541,925
Environmental	-	-	-	69,200	-	-	69,200
Geological	47,238	-	464	145,688	49,647	-	243,037
Geophysics	3,487	-	-	1,920	6,905	-	12,312
Government assistance	-	-	-	(40,000)	(45,000)	-	(85,000)
Mapping	14,580	-	193	19,358	6,120	-	40,251
Office and field	35,956	-	813	415,008	64,954	-	516,731
Scoping study	-	-	-	54,344	-	-	54,344
Travel	2,252	-	107	23,416	5,778	-	31,553
	<u>164,785</u>	<u>-</u>	<u>1,800</u>	<u>1,261,364</u>	<u>171,117</u>	<u>-</u>	<u>1,599,066</u>
Written off during year	-	(665,528)	(56,204)	(101,065)	-	(10,996)	(833,793)
Balance, March 31, 2010	\$ 2,574,849	\$ -	\$ -	\$12,675,821	\$ 171,117	\$ -	\$15,421,787

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7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Unlimited Class A preference shares without par value			
Issued			
At March 31, 2009	87,646,349	35,770,417	2,724,211
Private placements	10,007,000	1,100,770	-
Mineral property option payments	100,000	12,250	-
Stock option exercise	575,000	69,000	-
Convertible promissory note (Note 5)	2,000,000	250,000	250,000
Share issuance costs	-	(65,684)	-
Contributed surplus transferred on exercise of options	-	41,052	(41,052)
Stock-based compensation	-	-	134,276
At March 31, 2010	100,328,349	\$ 37,177,805	\$ 3,067,435
Stock-based compensation	-	-	44,933
Mineral property option payments	50,000	4,500	-
Private placements	3,333,333	1,000,000	-
Exercise of warrants	2,710,000	542,000	-
At December 31, 2010	106,421,682	\$ 38,724,305	\$ 3,112,368

On October 27, 2010 the company completed a non-brokered private placement of, 3,333,333 common shares at \$0.30 per common share for gross proceeds of \$1,000,000.

On January 28, 2010 the Company completed a non-brokered private placement of 10,007,000 units at \$0.11 per unit for gross proceeds of \$1,100,770. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.20 for a period of 24 months from closing. A finder's fee of \$38,457 was paid by the Company.

On December 16, 2009 the Company converted the convertible promissory note into 2,000,000 units at a value of \$500,000. Each unit consists of one common share and one share purchase warrant. One warrant is exercisable into one additional common share at \$0.25 for two years.

8. STOCK OPTIONS AND WARRANTS

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price, minimum price or a discounted price, of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years and vesting is determined by the Board of Directors.

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8. STOCK OPTIONS AND WARRANTS (cont'd...)

As at December 31, 2010, the Company had outstanding stock options, enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
50,000	0.18	January 19, 2011
100,000	0.23	April 19, 2011
50,000	0.25	June 9, 2011
525,000	0.30	November 24, 2011
575,000	0.75	May 30, 2012
550,000	0.75	October 17, 2012
300,000	1.11	January 3, 2013
50,000	0.70	February 12, 2013
150,000	0.76	March 25, 2013
400,000	0.75	May 15, 2013
1,232,000	0.12	October 31, 2013
600,000	0.17	May 22, 2014
1,050,000	0.11	March 2, 2015
<u>75,000</u>	0.19	December 21, 2015
5,707,000		

Stock option transactions were as follows:

	Number of Options	Weighted Average Exercise Price
Balance, March 31, 2009	5,307,000	\$ 0.46
Options expired	(550,000)	0.58
Options granted	1,800,000	0.13
Options exercised	<u>(575,000)</u>	0.12
Balance, March 31, 2010	5,982,000	\$ 0.39
Options expired	(350,000)	0.33
Options granted	<u>75,000</u>	<u>0.19</u>
Balance, December 31, 2010	5,707,000	\$ 0.39
Options exercisable, December 31, 2010	5,507,000	\$ 0.39

8. STOCK OPTIONS AND WARRANTS (cont'd...)

Stock-based compensation

During the period ended December 31, 2010, the Company granted 75,000 (2009 – 750,000) stock options with a fair value, using the Black-Scholes option pricing model, of \$25,615 (2009 - \$25,589). Stock-based compensation expense for options vested and granted was \$44,933 (2009 - \$25,589) which was credited to contributed surplus.

The following weighted average assumptions were used to value stock options and agent warrants granted using the Black-Scholes option-pricing model:

	Dec. 31, 2010	March 31, 2010
Risk-free interest rate	2.38	2.29%
Expected life of options	5 years	5 years
Annualized volatility	99.06%	100%
Dividend rate	0.00%	0.00%

Warrants

As at December 31, 2010, the Company had outstanding share purchase warrants, enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
2,000,000	0.25	December 22, 2011
<u>10,007,000</u>	0.20	January 28, 2012
<u>12,007,000</u>		

8. STOCK OPTIONS AND WARRANTS (cont'd...)

Warrants (cont'd...)

Warrant transactions were as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2009	13,413,284	0.25
Issued	12,007,000	0.21
Expired	(829,784)	1.06
Exercised	-	-
Balance, March 31, 2010	24,590,500	\$ 0.20
Expired	9,873,500	0.20
Exercised	2,710,000	0.20
Balance, December 31, 2010	12,007,000	\$ 0.21

9. RELATED PARTY TRANSACTIONS

As at December 31, 2010, accounts payable and accrued liabilities included \$2,240 (2009 - \$16,667) owing to directors, a former director or companies controlled by directors for services.

During the period ended December 31, 2010, the Company entered into the following transactions with related parties:

- a) Paid or accrued \$136,292 (2009 - \$112,942) for management, consulting and geological services to directors, a former director or companies controlled by directors. Of this amount, \$22,500 (2009 - \$29,000) of geological services was included in deferred exploration costs.
- b) Paid or accrued \$18,000 (2009 - \$22,500) for accounting services to an officer.
- c) Paid or accrued \$Nil (2009 - \$18,000) for investor relations services to a former senior officer of the Company.
- d) Paid or accrued \$Nil (2009 - \$2,684) for environmental services, included in deferred exploration costs, to a Company in which a former director is a principal.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions of the Company during the period ended December 31, 2010 consisted of:

- a) the issuance of 50,000 common shares at a value of \$4,500 pursuant to mineral property acquisitions.

The significant non-cash transactions of the Company during the year ended March 31, 2010 consisted of:

- b) the issuance of 100,000 common shares at a value of \$12,250 pursuant to mineral property acquisitions.
- c) the accrual of \$106,693 of deferred exploration costs in accounts payable.
- d) the issuance of 2,000,000 units on the conversion of the promissory grid note valued at \$500,000.
- e) the recognition of a fair value component of \$41,052 in respect of options exercised.
- f) The accrual of \$43,000 of deferred exploration costs in accounts receivable.
- g) The reclassification of \$14,000 from mineral property advances to deferred exploration costs.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value of cash and equivalents and marketable securities are measured based on level 1 of the fair value the The fair values of receivables, accounts payable and accrued liabilities and loan payable approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and equivalents and receivables. The Company places its cash in significant financial institutions. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of December 31, 2010 the Company had cash and equivalents balance of \$1,181,990 to settle current

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

liabilities of \$86,731. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in US Dollars (USD). Amounts exposed to foreign currency risk include cash of \$13,810 USD as of December 31, 2010.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of oil and natural gas, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

12. CAPITAL MANAGEMENT

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, exploration and development of oil and gas interests. 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 Company considers capital to consist of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient 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.

13. SEGMENTED INFORMATION

The Company operates in one reporting segment, being the acquisition and exploration of mineral properties in Canada.

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14. COMMITMENTS

The Company has entered into an operating lease agreement for premises. The annual lease payments under these leases are as follows:

2011	\$ 64,845
2012	<u>59,441</u>
	<u>\$ 124,286</u>

The Company entered into a loan agreement in connection with the purchase of three trucks of which two trucks was sold. The loan is repayable by monthly payments of \$811, including interest at 2.9% per annum until April 2011.

	2010	2009
Total loan payable	\$ 3,407	\$ 60,838
Less: current portion	(2,596)	(27,062)
	<u>\$ 811</u>	<u>\$ 33,776</u>

The annual loan payments are as follows:

2011	\$ 2,596
2012	<u>811</u>
	<u>\$ 3,407</u>

15. SUBSEQUENT EVENTS

The Company had 82,000 employee stock options exercised for proceeds of \$12,840.