INV METALS INC.

(An Exploration Stage Entity)

Consolidated Financial Statements

December 31, 2010 and 2009

(Expressed in Canadian Dollars, Except Where Otherwise Noted)

PRICEWATERHOUSECOOPERS

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March 9, 2011

Independent Auditor's Report

To the Shareholders of
INV Metals Inc.

We have audited the accompanying consolidated financial statements of INV Metals Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of loss, comprehensive loss and deficit, retained earnings and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

INV Metals Inc.
(An Exploration Stage Entity)
Consolidated Balance Sheets

As At		**December 31, 2010**		December 31, 2009
Assets				
Current				
Cash and cash equivalents	**$**	**21,265,982**	$	13,586,446
Exploration advances and other receivable		**229,618**		88,900
		21,495,600		13,675,346
Property, plant and equipment (net of $75,647, 2009 - $46,637 accumulated amortization)		**102,723**		69,557
Mineral properties and deferred exploration (note 5)		**17,375,767**		12,807,827
	$	**38,974,090**	$	26,552,730
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**1,433,443**	$	602,520
		1,433,443		602,520
Shareholders' equity				
Common shares (notes 6(a) and (b))		**67,399,596**		53,744,483
Warrants (note 6(c))		**339,370**		691,938
Contributed surplus (note 7)		**7,378,881**		6,163,350
Deficit		**(37,577,200)**		(34,649,561)
		37,540,647		25,950,210
	$	**38,974,090**	$	26,552,730

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

Signed on behalf of the Board of Directors:

"Eric Klein"
Director

"Robert Pollock"
Director

INV Metals Inc.
(An Exploration Stage Entity)
Consolidated Statements of Operations and Comprehensive Loss

For the years ended	**December 31, 2010**	December 31, 2009
Expenses		
General and administration		
Shareholder information and regulatory compliance	**$ 60,993**	$ 85,004
Compensation	**1,730,241**	1,421,834
Travel	**133,362**	154,187
Professional fees	**248,429**	268,051
Office (note 10)	**266,812**	337,347
Total general and administration	**2,439,837**	2,266,423
General exploration	**-**	210,772
Mineral properties and deferred exploration written off (note 5)	**-**	612,851
Stock-based compensation (note 7)	**543,125**	621,120
Equity loss from investment	**-**	649
Foreign currency exchange loss	**4,709**	3,276
Interest income	**(60,032)**	(52,154)
Loss before income taxes	**2,927,639**	3,662,937
Future income tax recovery	**-**	(980,481)
Net loss and comprehensive loss	**$ 2,927,639**	$ 2,682,456
Basic and diluted loss per share (note 6(d))	**$ 0.05**	$ 0.05

INV Metals Inc.
(An Exploration Stage Entity)
Consolidated Statements of Deficit

For the years ended	**December 31, 2010**	December 31, 2009
Deficit, beginning of year	**$ 34,649,561**	$ 31,967,105
Loss for the year	**2,927,639**	2,682,456
Deficit, end of year	**$ 37,577,200**	$ 34,649,561

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

INV Metals Inc.
(An Exploration Stage Entity)
Consolidated Statements of Cash Flows

As At	**December 31, 2010**	December 31, 2009
Operating activities		
Net loss for the year	**$ (2,927,639)**	$ (2,682,456)
Items not affecting cash:		
Equity loss from investment	**-**	649
Depreciation	**29,011**	22,793
Loss on disposal of property, plant and equipment	**-**	54,987
Stock-based compensation (note 7)	**543,125**	621,120
	(2,355,503)	(2,350,537)
Change in working capital		
Exploration advances and other receivables	**(140,718)**	11,789
Accounts payable and accrued liabilities	**464,060**	381,305
	323,342	393,094
	(2,032,161)	(1,957,443)
Financing activities		
Proceeds from public offerings (net of share issue costs of $1,368,911)	**13,806,219**	-
Proceeds from exercise of stock options	**5,250**	-
	13,811,469	-
Investing activities		
Mineral properties and deferred exploration	**(4,037,596)**	(2,277,329)
Proceeds from the sale of property, plant and equipment	-	6,867
Property, plant and equipment additions	**(62,176)**	-
	(4,099,772)	(2,270,462)
Change in cash for the year	**7,679,536**	(4,227,905)
Cash, beginning of year	**13,586,446**	17,814,351
Cash, end of year	**$ 21,265,982**	$ 13,586,446
Interest income received	**$ 30,204**	$ 74,879
Income tax paid	**$ 23,089**	$ 18,929

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

1) Nature of operations

INV Metals Inc. ("INV Metals" or the "Company"), formerly International Nickel Ventures Corporation, was incorporated on October 20, 2005, and is in the business of acquiring, exploring and developing mineral deposits, primarily in Brazil, Namibia and Canada, through the Company and its wholly-owned subsidiaries, INV Mineração Ltda. and INV Exploration Namibia (PTY) Ltd. The Company may expand its operations to include mineral properties outside of Brazil, Namibia and Canada and also into other metallic projects. The Company's properties may be subject to sovereign risk, including political and economic instability, government regulations relating to mining, currency fluctuations and local inflation. These risks may adversely affect the Company's investment in mineral properties and may result in the impairment or loss of all or part of these properties.

On March 17, 2006, the Company completed an initial public offering and was listed for trading on the Toronto Stock Exchange. The Company is currently trading under the symbol "INV".

2) Accounting policies and basis of presentation

The consolidated financial statements of INV Metals have been prepared in accordance with Canadian generally accepted accounting principles applicable to the financial statements. Summarized below are the significant accounting policies used in these consolidated financial statements.

a) Basis of consolidation

The consolidated financial statements include the accounts of INV Metals and its wholly owned subsidiaries INV São José Inc., INV Exploration Namibia (PTY) Ltd., INV Mineração Ltda. and INV (Barbados) Ltd.

b) Use of estimates

The preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect assets and liabilities and the related disclosures at the date of the financial statements and the reported amounts for operations during the reporting period. While management believes that the estimates and assumptions are reasonable, actual results may differ.

Significant estimates and assumptions include those related to the determination as to whether costs are expensed or deferred, the recoverability of mineral properties and deferred exploration, stock-based compensation, future income taxes and the ability to continue as a going concern.

c) Cash and cash equivalents

Cash and cash equivalents include cash on deposit, term deposits and other interest-bearing investments that have original maturities of less than 90 days from the date of acquisition.

d) Investment subject to significant influence

The Company uses the equity method for investments where the Company has a significant influence on the entity's operating, investing and financing activities. The investment is initially recorded at cost and adjustments are made to include the Company's share of the net earnings and losses, which are recorded in the Company's statements of operations and comprehensive loss. Any decline in the fair value of the investment considered by management to be other than temporary in nature is charged to operations.

2) Accounting policies and basis of presentation (continued)

e) Mineral properties and deferred exploration

The Company considers its exploration and evaluation costs to have the characteristics of property, plant and equipment. As such, the Company defers all exploration and evaluation costs, including acquisition costs and field exploration costs relating to specific properties until those properties are brought into production, at which time, they will be amortized on a unit-of-production basis or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made.

When impairment indicators are identified, long-lived assets including mineral properties and deferred exploration are reviewed for impairment to determine whether a write down of their carrying amount is required. Since the Company is in the exploration stage and has not established mineral reserves and, therefore, does not have a basis to prepare cash flow projections to support the carrying amount of these assets, other factors are considered in determining whether a write down is required. Such factors include past exploration work, future planned exploration work and general market conditions.

f) Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized on a declining basis or straight line over the useful life of the assets (depreciation rates are 20% for office equipment, 30% for computer equipment and vehicles and 5 years for field equipment).

g) Stock-based compensation

The Company has a stock-based compensation plan. The Company recognizes as an expense the cost of stock-based compensation based on the estimated fair value of new stock options and restricted share units granted to employees, consultants, officers and directors. The fair value of each stock option granted is estimated on the date of the grant using the Black-Scholes and other option-pricing models and is expensed over the vesting period. The fair value of each restricted share unit granted is calculated on the date of the grant using the closing stock price on the date prior to the grant and is expensed straight-line over the vesting period. Forfeitures of stock options and restricted share units are recognized as incurred.

h) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in operations. The accounts of the operations in Brazil and Namibia have been translated using the temporal method for foreign integrated operations. Under the temporal method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities, which primarily comprise mineral properties and deferred exploration, are translated using historic rates of exchange. Expenses and other income are translated at the average rates of exchange during the period. Foreign currency exchange gains and losses are included in operations.

2) Accounting policies and basis of presentation (continued)

i) Future income taxes

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

j) Related party transactions

All transactions with related parties are in the normal course of business and are measured at the exchange amounts.

k) Basic and diluted loss per share

Basic loss per share is computed based on the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. As the Company incurred net losses for the year ended December 31, 2010 and 2009, all outstanding stock options, restricted share units and warrants have been excluded from the calculation of diluted loss per share, since the effect of these would be anti-dilutive.

3) Capital disclosures

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

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its 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 is deemed there is sufficient geological or economic potential and if adequate financial resources are available.

Management reviews its capital management approach on an ongoing basis and believes this approach, given the 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. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

4) Financial instruments

The Company has designated its cash and other receivables as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at December 31, 2010, the carrying and fair value amounts of the Company's financial instruments are the same.

4) Financial instruments (continued)

Financial risk factors

The Company's risk exposures and the impact of the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous period.

a) Credit risk

The Company's credit risk is primarily attributable to receivables included in other receivables. The Company has no significant concentration of credit risk. Financial instruments included in other receivables consist of receivables from unrelated companies. Management believes that the exposure to credit risk with regards to receivables is remote.

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet obligations when due. As at December 31, 2010, the Company had a cash balance of $21,265,982 (December 31, 2009 – $13,586,446) to settle current liabilities of $1,433,443 (December 31, 2009 – $602,520). The majority of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has various commitments detailed in note 9.

c) Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

d) Market risk

i) Interest rate risk

The Company has a cash balance and no interest-bearing debt. The Company holds cash and cash equivalents in deposit form in a major Chartered Canadian bank. The Company is sensitive to changes in the interest rates through interest income earned on its cash balance.

ii) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars, Brazilian reais and Namibian dollars. The Company funds certain operations, exploration and administrative expenses on a cash call basis using Canadian dollar currency converted from its Canadian dollar bank accounts. The Company currently does not enter into financial instruments to manage foreign exchange risk. Fluctuations in the exchange rates may, consequently, have an impact upon the reported operations of the Company and may affect the value of the Company's assets and liabilities.

e) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the year ended December 31, 2010:

Cash and cash equivalents are subject to floating interest rates. As at December 31, 2010, if interest rates had decreased by 0.1% or increased by 0.25%, respectively, with all other variables held constant, the loss for the year ended December 31, 2010, would have been approximately $11,000/$27,500 higher/lower, as a result of lower/higher interest income from cash and cash equivalents. Similarly, as at December 31, 2010, shareholders' equity would have been approximately $11,000/$27,500 lower/higher

4) Financial instruments (continued)

Financial risk factors (continued)

e) Sensitivity analysis (continued)

as a result of lower/higher interest income from cash and cash equivalents due to a 0.1% decrease or a 0.25% increase in interest rates.

Financial instruments denominated in Brazilian reais and Namibian dollars are subject to foreign currency risk. As at December 31, 2010, had the Brazilian real and Namibian dollar weakened/strengthened by 10% against the Canadian dollar, with all other variables held constant, the Company's loss for the year ended December 31, 2010, would have been approximately $6,000 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Similarly, as at December 31, 2010, shareholders' equity would have been approximately $6,000 higher/lower had the Brazilian real and Namibian dollar weakened/strengthened by 10% as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments.

5) Mineral properties and deferred exploration

	December 31, 2010			
	December 31, 2009	**Additions in the period**	**Write off**	**December 31, 2010**
Brazil properties				
Itaporã	**$ 659,202**	**$ 62,738**	**$ -**	**$ 721,940**
Rio Novo	**2,593,074**	**2,651,534**	**-**	**5,244,608**
Namibia property				
Kaoko	**2,666,071**	**1,831,579**	**-**	**4,497,650**
Ontario properties				
Fishtrap	**2,572,306**	**149**	**-**	**2,572,455**
Lansdowne House	**1,446,360**	**-**	**-**	**1,446,360**
Montcalm	**1,720,922**	**-**	**-**	**1,720,922**
Thorne Lake	**1,149,892**	**21,940**	**-**	**1,171,832**
	$ 12,807,827	**$ 4,567,940**	**$ -**	**$ 17,375,767**

	December 31, 2009			
	December 31, 2008	Additions in the period	Write off	December 31, 2009
Brazil properties				
Goiás Region	$ 60,599	$ 2,292	$ (62,891)	$ -
Norte Sul	294,409	-	(294,409)	-
Itaporã	626,815	287,938	(255,551)	659,202
Rio Novo	-	2,593,074	-	2,593,074
Namibia property				
Kaoko	-	2,666,071	-	2,666,071
Ontario properties				
Fishtrap	2,565,978	6,328	-	2,572,306
Lansdowne House	1,445,248	1,112	-	1,446,360
Montcalm	1,430,273	290,649	-	1,720,922
Thorne Lake	-	1,149,892	-	1,149,892
	$ 6,423,322	$ 6,997,356	$ (612,851)	$ 12,807,827

5) Mineral properties and deferred exploration (continued)

a) Brazilian properties

i) Rio Novo property

The Company entered into an option agreement with Teck Resources Limited and its local subsidiaries ("Teck") which provides INV Metals the right to acquire an initial 50% interest in the Rio Novo copper-gold property ("Rio Novo") in the Carajás mining district of in the state of Pará, Brazil.

Under the terms of the Rio Novo agreement, INV Metals may earn an initial 50% interest in the Rio Novo property by funding exploration expenditures of $7 million over 3 years with guaranteed expenditures of $4 million over 2 years, after which a joint venture will be formed on a 50% basis.

Once the joint venture is formed with INV Metals and Teck both holding a 50% interest, Teck may elect, prior to November 30, 2012, to increase its interest in Rio Novo to 60% by funding expenditures of $7 million over the subsequent 2 years. If Teck does not exercise its option to increase its interest in Rio Novo to 60%, INV Metals may elect to increase its interest in Rio Novo to 60% by funding expenditures of $7 million over that same subsequent 2 years. If INV Metals then earns a 60% interest in Rio Novo, Teck has the option to elect to increase its interest to 60%, by making an initial cash payment to INV Metals of $7 million, funding additional expenditures of $14 million over the subsequent 3 years and making an additional cash payment to INV Metals of $3.5 million prior to the expiry of the 3 year period.

ii) Itaporã property

The Itaporã gold project is located in Pará State, Brazil. The Corporation acquired the property by staking claims. During 2009, the Corporation dropped two claims relating to the property which resulted in a write down of $255,551 related to these dropped claims.

iii) Goiás Region and Norte Sul properties

The Corporation acquired exploration rights on prospective nickel sulphide properties in Goiás State, Brazil, based on aeromagnetic and radiometric maps. In early 2009, the Corporation decided not to pursue further exploration work on the rest of the claims and wrote off the exploration expenditures relating to these properties.

b) Namibian property

i) Kaoko property

The Company entered into an option agreement with Teck which provides INV Metals the right to acquire an initial 50% interest the Kaoko copper property ("Kaoko") in Northwest Namibia.

Under the terms of the Kaoko agreement, INV Metals may earn an initial 50% interest in the Kaoko property by making an initial $1,064,094 payment to Teck and funding exploration expenditures of $7 million over 4 years, with guaranteed expenditures of $3 million over 2 years, after which a joint venture will be formed on a 50% basis.

Once the joint venture is formed, with INV Metals and Teck both holding a 50% interest, Teck may elect, prior to November 30, 2013, to increase its interest in Kaoko to 60% by funding expenditures equal to $7 million over the subsequent 2 years. If Teck increases its interest in Kaoko to 60% by satisfying the required expenditure commitments, Teck then has the option to elect to earn an additional 5% interest in Kaoko to increase its interest to 65%, by funding $21 million over the subsequent 4 years.

If Teck does not exercise its first option to increase its interest in Kaoko to 60%, INV may elect to increase its interest in Kaoko to 60% by funding expenditures of $7 million over the same subsequent two years as

5) Mineral properties and deferred exploration (continued)

b) Namibian property (continued)

i) Kaoko property (continued)

per Teck's option above. If INV Metals then earns a 60% interest in Kaoko, Teck has the option to elect to increase its interest to 60% by making an initial cash payment to INV Metals of $7 million, funding additional expenditures equal to $14 million over the subsequent 3 years and making an additional cash payment to INV Metals of $3.5 million prior to the expiry of the 3 year period.

c) Ontario properties

On December 27, 2007, the Company purchased a 100% ownership in three northern Ontario mineral properties (Fishtrap, Lansdowne and Montcalm) from FNX Mining Company Inc.'s ("FNX") wholly owned subsidiary, Aurora Platinum Corp. ("Aurora"), in exchange for issuing 2.9 million common shares to FNX. In the event that prior to December 27, 2027, INV Metals makes a production decision on any one of the three properties, or if FNX completes a feasibility study approved for implementation by FNX, then FNX shall be entitled to acquire 50% of INV Metals then beneficial interest in that property by paying to INV Metals two times the aggregate of all expenditures made by INV Metals on that property. The properties are subject to certain net smelter royalties.

i) Fishtrap

The Company has a 100% interest in the Fishtrap property.

ii) Lansdowne House

The 100% interest in the Lansdowne House property is subject to (a) a 2.5% net smelter return royalty in favour of PGM Ventures Corporation, which royalty is subject to the right of INV Metals to buy back up to 1.5% thereof by paying $500,000 per 0.5%; and (b) the right of Vale Canada Limited with respect to one claim comprising part of the property to receive a 1.5% net smelter return royalty in respect of such claim, subject to a maximum cap of $2,500,000.

iii) Montcalm

The 100% interest in the Montcalm property is subject to (a) a 2% net smelter return royalty which is subject to the right of INV Metals to buy back up to 1% thereof by paying $500,000 per 0.5%; and (b) a 1.5% net smelter return royalty in favour of Vale Canada Limited, subject to a maximum cap of $2,500,000, after which it is converted into a 0.75% net smelter return royalty for the lifetime of the Montcalm Property.

iv) Thorne Lake

On May 28, 2009, the Company entered into an option agreement with Northern Superior Resources Inc. ("Northern Superior") on the Thorne Lake, Ontario gold property. Under the terms of the agreement, INV Metals may earn a 50% interest in the property by funding $1.5 million in exploration expenditures over four years, with a first year commitment of $500,000, which has been fulfilled. Upon INV Metals completing its funding obligations, a joint venture will be formed with INV Metals and Northern Superior both holding a 50% interest in the property. INV Metals may elect to sole-fund additional work programs, after earning its 50% interest, through to the completion of a pre-feasibility study to earn a final interest of 60%.

6) Share capital and loss per share

a) Authorized

The authorized capital of INV Metals consists of an unlimited number of common shares.

b) Issued and outstanding

	Number of Common Shares		Amount
Balance, January 1, 2009	54,011,008	$	53,478,870
Issuance of restricted share units (note 7)	200,000		182,000
Renouncement of exploration expenditures	-		(980,481)
Issuance of common shares	2,875,929		1,064,094
Balance, December 31, 2009	**57,086,937**		**53,744,483**
Issuance of restricted share units (note 7)	**200,000**		**182,000**
Exercise of stock options	**15,000**		**6,265**
Issuance of common shares	**13,052,500**		**13,466,848**
Balance, December 31, 2010	**70,354,437**	**$**	**67,399,596**

On October 28, 2009, the Company entered into two option agreements with Teck to obtain the right to acquire an initial 50% interest in two exploration properties. As part of the transaction, the Company issued 2,875,929 common shares to Teck at a price of $0.37 per share for proceeds of $1,064,094.

On November 12, 2010, INV Metals entered into a bought deal offering by way of short-form prospectus, 11,350,000 common shares of INV Metals were issued at a purchase price of $1.15 per share. On December 10, 2010, 1,702,500 shares were issued at a price of $1.15 per share. The net proceeds of the offering were $13,466,848.

The Underwriters received a cash commission equal to 6% of the gross proceeds and compensation options entitling the underwriters to purchase that number of common shares, equal to 5% of the total number of offered shares sold, at an exercise price equal to $1.15, for a period of 24 months from November 12, 2010.

During the year, 15,000 employee stock options were exercised for proceeds of $5,250.

6) Share capital and loss per share (continued)

c) Warrants

The following table summarizes information regarding the Company's warrants for the year ended December 31, 2010 and the year ended December 31, 2009:

	Number of Warrants		Amount
Balance, January 1, 2009	2,491,886	$	745,005
Compensation warrants expired	(144,000)		(53,067)
Balance, December 31, 2009	**2,347,886**	**$**	**691,938**
Warrants expired	**(2,347,886)**		**(691,938)**
Compensation warrants issued	**652,625**		**339,370**
Balance, December 31, 2010	**652,625**	**$**	**339,370**

As consideration for its services from the sale of flow-through shares in February 2008, the Company issued 144,000 compensation warrants, exercisable for 144,000 common shares of INV Metals at an exercise price of $1.00 per share. The broker warrants expired on August 21, 2009. The value ascribed to the warrants was $53,067 determined using the Black-Scholes option pricing model. The assumptions used for compensation warrants issued during the period were as follows: dividend yield of 0.0%; expected volatility of 83%; risk-free interest rate of 3.2% and an expected life of 18 months. This amount was transferred to contributed surplus on expiry.

As consideration for exchange for FNX foregoing its right of first option to acquire any property interests of the Corporation, on December 7, 2005, the Company issued 2,347,886 share purchase warrants exercisable for one common share of INV Metals at an exercise price of $1.40 per share. The warrants expired on December 7, 2010. The value ascribed to the warrants was $691,938 determined using the Black-Scholes option pricing model. The assumptions used for compensation warrants issued during the period were as follows: dividend yield of 0.0%; expected volatility of 60%; risk-free interest rate of 4.0% and an expected life of 24 months. This amount was transferred to contributed surplus on expiry.

As consideration for its services from the sale of shares in November, 2010, the Company issued 652,625 compensation warrants, exercisable for 652,625 common shares of INV Metals at a price of $1.15 per share. The value ascribed to the warrants was $339,370 determined using the Black-Scholes option pricing model. The assumptions used for the compensation warrants issued during the year were as follows; dividend yield of 0.0%, expected volatility of 106%, risk-free interest rate of 1.43% and an expected life of 24 months.

d) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding for the year ended December 31, 2010 of 58,852,930 (2009 – 54,655,554). The conversion of outstanding stock options, restricted share units and warrants was not included in the calculation of fully diluted loss per share in any period as the conversion would be anti-dilutive.

7) Contributed surplus

The following table summarizes information regarding the Company's contributed surplus for the year ended December 31, 2010 and the year ended December 31, 2009:

		Amount
Balance, January 1, 2009	$	5,635,363
Issuance of restricted share units (note 6(b))		(182,000)
Restricted share unit compensation		135,230
Stock-based compensation		521,690
Expiration of warrants (note 6(c))		53,067
Balance, December 31, 2009	**$**	**6,163,350**
Issuance of restricted share units (note 6(b))		**(182,000)**
Restricted share unit compensation		**49,307**
Stock-based compensation		**657,301**
Exercise of stock options (note 6)		**(1,015)**
Expiration of warrants (note 6(c))		**691,938**
Balance, December 31, 2010	**$**	**7,378,881**

The Company's stock option plan (the "Option Plan") is for directors, officers, employees and certain individuals that provide ongoing services to INV Metals. Under the Option Plan, options are typically granted for a five-year period and in such numbers as reflects the level of responsibility of the particular optionee and his or her contribution to the business and activities of INV Metals. Stock options granted under the Option Plan prior to 2006 vested at the discretion of the Board of Directors. Stock options granted under the Option Plan vest 25% immediately, 25% after six months, 25% after one year and 25% after one and one-half years from the date of grant. Except in specified circumstances, stock options are not assignable and vested options terminate 90 days after the optionee ceases to be employed by or associated with INV Metals. The terms of the Option Plan further provide that the price at which shares may be issued under the Option Plan cannot be less than the market price of the shares when the relevant stock options are granted and common shares available for stock-options issuance would be no more than 10% of the issued and outstanding common shares of the Company at any time.

The Company under its restricted share unit plan (the "RSU Plan") may grant up to 1,000,000 shares to employees, officers, directors and consultants through the issuance of restricted share units. Each restricted share unit gives the holder the right to receive, after the restricted period, if applicable, one common share of the Company. The fair market value of each restricted share unit granted is calculated on the date of grant using the closing stock price on the date prior to the grant. The restricted share units granted have a restricted period which lapse one third on the first anniversary date of the effective date of the employee's employment agreement, one third on the second anniversary, and one third on the third anniversary.

The restricted period is subject to the discretion of the Board of Directors. The aggregate number of common shares issuable to an insider of the Company pursuant to all security based compensation, shall not exceed 10% of the total number of common shares outstanding. The aggregate number of common shares reserved for issuance to any one person shall not exceed 5% of the total number of common shares then outstanding.

During the year, 200,000 restricted share units were issued at a fair value of $182,000.

7) Contributed surplus (continued)

The following table summarizes information regarding the Company's outstanding and exercisable stock options as at December 31, 2010:

Exercise Price Range	Number of Stock Options Outstanding	Weighted-Average Remaining Years of Contractual Life	Weighted Average Exercise Price	Number of Stock Options Exercisable	Weighted Average Exercisable Price
$0.35-$0.89	1,745,000	3.7	$ 0.59	1,312,500	$ 0.53
$0.90-$1.29	3,822,000	2.9	1.09	2,639,083	1.08
*$1.30-$1.69	600,000	1.5	1.49	600,000	1.49
$1.70-$2.10	340,000	1.2	1.80	340,000	1.80
	6,507,000	2.9	$ 1.03	4,891,583	$ 1.03

*Includes 250,000 stock options granted to an officer of the Company, exercisable when the Company's market capitalization reaches $225 million.

The weighted average grant date fair value of $0.47 for the year ended December 31, 2010, was determined using the Black-Scholes option pricing model (except as described further below) with the assumptions used as follows: dividend yield of 0.0%; expected volatility of 81% - 122%; risk-free interest rate of 1.14% - 1.19%; and a weighted average expected life of 24 months.

The following table summarizes the stock option transactions for the year ended December 31, 2010 and the year ended December 31, 2009 as follows:

	Number of stock options	**Weighted-average exercise price**
Outstanding, January 1, 2009	4,747,000	$ 1.25
Granted	955,000	0.44
Expired/Forfeited	(765,000)	1.39
Outstanding, December 31, 2009	**4,937,000**	**$ 1.07**
Granted	**2,270,000**	**0.98**
Expired/Forfeited	**(685,000)**	**1.19**
Exercised	**(15,000)**	**$ 0.35**
Outstanding, December 31, 2010	**6,507,000**	**$ 1.03**

7) Contributed surplus (continued)

The following table summarizes the restricted share unit transactions for the year ended December 31, 2010 and the year ended December 31, 2009:

	Number of restricted shares		Fair value of restricted shares
Outstanding, January 1, 2009	500,000	$	0.91
Exercised	(200,000)		0.91
Outstanding, December 31, 2009	**300,000**	**$**	**0.91**
Exercised	**(200,000)**		**0.91**
Outstanding, December 31, 2010	**100,000**	**$**	**0.91**

During the year, 200,000 units were issued from treasury with a value of $182,000. The amount was transferred to contributed surplus on issuance.

8) Future income taxes

The provision for income taxes in the consolidated statements of operations and comprehensive loss represents an effective rate different than the Canadian statutory rate of 31.00% (2009 – 31.00%). The rate differences are as follows:

For the years ended December 31,		**2010**		2009
Loss before income taxes	**$**	**(2,927,639)**	$	(3,662,937)
Computed income tax recovery at Canadian statutory tax rates		**907,568**		1,135,510
Tax rate differences on foreign losses		**1,974**		23,920
Stock-based compensation		**(168,369)**		(192,547)
Changes in substantively enacted income tax rates		**(142,769)**		(241,567)
Adjustment to losses available		**(149,994)**		-
Other		**(1,562)**		(28,491)
Brazilian losses		**-**		4,020,668
Foreign exchange difference on foreign losses		**(7,149)**		-
Foreign exchange		**1,419**		-
Non-deductible capital loss		**-**		1,696,163
Change in valuation allowance		**(441,118)**		(5,433,175)
Income tax recovery	**$**	**-**	$	980,481

The Corporation issued flow-through common shares in February, 2008, to finance part of its exploration expenditures. The income deductions related to the exploration expenditures are claimable only by investors of the flow-through common shares. In February, 2009, the Corporation renounced $3,162,842 of Canadian exploration expenditures to its flow-through common share investors. As a result of this renouncement, the Corporation has recorded a future tax recovery of $980,481, which was deducted from share capital as a share issue expense.

The potential benefit of net operating loss carry forwards has not been recognized in the financial statements since the Corporation cannot be assured that it is more likely than not that such benefit will be utilized in future years.

8) Future income taxes (continued)

The tax effect of temporary differences of the Corporation that give rise to significant portions of future income tax assets and future income tax liabilities are presented below:

For the years ended December 31,		**2010**		2009
Future income tax assets				
Losses carried forward - Canada	**$**	**2,735,869**	$	1,957,810
Losses carried forward - Brazil		**5,199,812**		4,291,767
Losses carried forward - Namibia		**39,784**		-
Share issue costs		**410,516**		329,020
Capital losses carried forward		**1,477,882**		1,696,163
Valuation allowance		**(6,957,395)**		(6,197,437)
Total future income tax assets	**$**	**2,906,468**	$	2,077,323
Future income tax liabilities				
Mineral properties		**(2,906,468)**		(2,077,323)
Net future income tax assets (liabilities)	$	-	$	-

The Corporation has Canadian operational losses carried forward as at December 31, 2010 as follows: The loss carry-forwards have not been recognized as future tax assets.

Years generated	**Expiry Date**		**Amount**
2005	2015	$	252,574
2006	2026		1,509,456
2007	2027		1,893,278
2008	2028		1,117,870
2009	2029		3,011,426
2010	2030		3,095,158
Non-capital losses		$	10,879,762

Years generated	**Expiry Date**		**Amount**
2009	Indefinitely	$	5,911,527
Net-capital losses		$	5,911,527

The Brazilian subsidiary has loss carry-forwards of approximately $15,215,438 which can be carried forward indefinitely. However, only 30% of the taxable income in one year can be applied against the loss carry-forward balance. The Brazilian loss carry-forwards have not been recognized as future tax assets.

The Namibian subsidiary has loss carry-forwards of approximately $113,669 which can be carried forward indefinitely against the same type of business income.

9) Contractual obligations and commitments

INV Metals entered into a lease arrangement to lease office space effective December 31, 2009. The lease will remain in effect to December 31, 2012.

9) Contractual obligations and commitments (continued)

As per the option agreements with Teck, upon closure of the transaction on October 28, 2009, the Company committed to first year aggregate expenditures on the combined properties of $3 million. The Company guaranteed expenditures on the Kaoko property of $3 million over two years, and expenditure of $4 million over two years on the Rio Novo property. As at December 31, 2010, aggregate expenditures on both properties totaled $4,388,542.

The Company is required to make the following cash payments under its office lease agreement and is committed to the following exploration expenditures:

	Total	2011	2012-14
Exploration expenditure commitment at Kaoko property	$ 3,000,000	$ 3,000,000	$ -
Exploration expenditure commitment at Rio Novo property	$ 4,000,000	$ 4,000,000	$ -
Office leases	$ 142,200	$ 71,100	$ 71,100

10) Comparative Figures

Certain comparative figures have been reclassified to conform with current period financial statement presentation.