



HY LAKE
GOLD INC

Hy Lake Gold Inc.

**Interim Financial Statements
(Expressed in Canadian Dollars)**

**Three Months Ended December 31, 2010
(Unaudited)**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Hy Lake Gold Inc. were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the September 30, 2010 audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.



Hy Lake Gold Inc.
Interim Balance Sheets
(Expressed in Canadian Dollars)
(Unaudited)

	December 31, 2010	September 30, 2010
Assets		
Current Assets		
Cash	\$ 2,530,116	\$ 640,302
Restricted cash (Note 8)	22,000	22,393
Accounts receivable	30,233	70,661
Prepaid expenses and deposits	16,919	4,670
	2,599,268	738,026
Property and equipment (Note 5)	99,432	88,709
Mineral properties and deferred exploration costs (Note 6)	6,244,670	6,133,306
	\$ 8,943,370	\$ 6,960,041
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 199,307	\$ 532,053
Future income tax liabilities	544,000	544,000
	743,307	1,076,053
Shareholders' Equity		
Share capital (Note 7(b))	16,875,932	15,482,719
Contributed Surplus	4,374,166	3,294,361
Deficit	(13,050,035)	(12,893,092)
	8,200,063	5,883,988
	\$ 8,943,370	\$ 6,960,041

Nature of Operations and Going Concern (Note 1)
Commitment (Note 12)
Subsequent Event (Note 13)

Approved by the Board:

signed "Stephen Jakob" _____, Director

signed "Robert Seitz" _____, Director

The accompanying notes are an integral part of these unaudited interim financial statements



Hy Lake Gold Inc.

Interim Statements of Loss and Comprehensive Loss (Expressed in Canadian Dollars) (Unaudited)

For the three months ended December 31,	2010	2009
Expenses		
Depreciation	\$ 5,208	\$ 6,780
Consulting fees	3,326	62,203
Interest and bank charges	-	204
Insurance	4,734	16,573
Management fees	53,667	48,500
Office, general and administrative	14,470	19,088
Professional fees	30,541	3,963
Advertising and promotion	1,641	4,990
Stock-based compensation	1,000	77,000
Shareholder information	25,731	10,725
Travel and promotion	16,925	1,966
	157,243	251,992
Loss before under noted items	(157,243)	(251,992)
Interest and other income	300	5,000
Net loss and comprehensive loss for the period	\$ (156,943)	\$ (246,992)
Basic and fully diluted loss per share	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding	35,810,103	27,982,931

Interim Statements of Deficit (Expressed in Canadian Dollars) (Unaudited)

For the three months ended December 31,	2010	2009
Deficit		
Balance, beginning of period	\$ (12,893,092)	\$ (12,272,852)
Net loss for the period	(156,943)	(246,992)
Balance, end of period	\$ (13,050,035)	\$ (12,519,844)

The accompanying notes are an integral part of these unaudited interim financial statements



Hy Lake Gold Inc.

Interim Statements of Changes in Shareholders' Equity (Expressed in Canadian Dollars) (Unaudited)

	Share Capital	Contributed Surplus	Deficit	Total
Balance, September 30, 2009	\$ 14,529,469	\$ 2,947,361	\$(12,272,852)	\$ 5,203,978
Issued for cash	1,300,000	-	-	1,300,000
Share issue costs net of future income tax benefits	(15,000)	-	-	(15,000)
Issued for property	17,250	-	-	17,250
Value attributed to warrants on private placement	(219,000)	219,000	-	-
Stock-based compensation	-	77,000	-	77,000
Net loss for the period	-	-	(246,992)	(246,992)
Balance, December 31, 2009	\$ 15,612,719	\$ 3,243,361	\$(12,519,844)	\$ 6,336,236
Share issue costs net of future income tax benefits	4,000	-	-	4,000
Issued for property	18,000	-	-	18,000
Future tax liability pursuant to flow through shares renunciation	(152,000)	-	-	(152,000)
Stock-based compensation	-	51,000	-	51,000
Net loss for the period	-	-	(373,248)	(373,248)
Balance, September 30, 2010	\$ 15,482,719	\$ 3,294,361	\$(12,893,092)	\$ 5,883,988
Issued for cash	2,563,474	-	-	2,563,474
Share issue costs	(130,456)	-	-	(130,456)
Value attributed to warrants on private placement	(1,080,805)	1,080,805	-	-
Warrant exercise	20,000	(2,000)	-	18,000
Stock option exercise	21,000	-	-	21,000
Stock-based compensation	-	1,000	-	1,000
Net loss for the period	-	-	(156,943)	(156,943)
Balance, December 31, 2010	\$ 16,875,932	\$ 4,374,166	\$(13,050,035)	\$ 8,200,063

The accompanying notes are an integral part of these unaudited interim financial statements



Hy Lake Gold Inc.
Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

For the three months ended December 31,	2010	2009
Cash flows (used in) provided by:		
Operating activities		
Net loss for the period	\$ (156,943)	\$ (246,992)
Adjustments for non-cash items:		
Stock-based compensation	1,000	77,000
Depreciation	5,208	6,780
Net changes in non-cash working capital balances:		
Accounts receivable	40,428	(5,313)
Prepaid expenses and deposits	(12,249)	(12,500)
Accounts payable and accrued liabilities	(332,746)	49,112
	(455,302)	(131,913)
Investing activities		
Expenditures on mineral properties - acquisition	(15,000)	-
Expenditures on mineral properties - exploration	(96,364)	(72,107)
Restricted cash	393	-
Purchase of property and equipment	(15,931)	-
	(126,902)	(72,107)
Financing activities		
Issue of common shares, net of issue cost	2,472,018	1,285,000
Change during the period	1,889,814	1,080,980
Cash, beginning of period	640,302	217,906
Cash, end of period	\$ 2,530,116	\$ 1,298,886

The accompanying notes are an integral part of these unaudited interim financial statements



Hy Lake Gold Inc.

Notes to Interim Financial Statements

Three Months Ended December 31, 2010

(Expressed in Canadian Dollars)
(Unaudited)

1. Nature of Operations and Going Concern

Hy Lake Gold Inc. (the "Company" or "Hy Lake Gold") was incorporated on November 29, 1991 under the Business Corporations Act (Ontario). The Company commenced its current business activities of acquiring, exploring and developing mineral properties on October 1, 2005. Substantially all of the efforts of the Company are devoted to these business activities. To date the Company has not earned significant revenue and is considered to be in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

As at December 31, 2010, the Company had working capital of \$2,399,961 (September 30, 2010 - \$205,973) had, not yet achieved profitable operations, has accumulated losses of \$13,050,035 (September 30, 2010 - \$12,893,092) and expects to incur further losses in the development of its business, all of which casts doubt upon the Company's ability to continue as a going concern. The Company is in the exploration stage has no proven reserves or production relating to its operations. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so.

Management believes the Company has sufficient funds to cover planned operations throughout the next twelve month period. However, management plans on securing additional financing through the issue of new equity, among other things. Nevertheless, there is no assurance that these initiatives will be successful.

These unaudited interim financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption was not appropriate, adjustments might be necessary to the carrying value of the assets and liabilities, reported revenues and expenses, and the balance sheet classifications used in the financial statements.

The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the 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 government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.



Hy Lake Gold Inc.

Notes to Interim Financial Statements

Three Months Ended December 31, 2010

(Expressed in Canadian Dollars)
(Unaudited)

2. Basis of Presentation and Accounting Policies

The unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three months ended December 31, 2010 may not necessarily be indicative of the results that may be expected for the year ending September 30, 2011.

The balance sheet at September 30, 2010 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual financial statements. The unaudited interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual financial statements for the year ended September 30, 2010, except as noted below. For further information, refer to the audited financial statements and notes thereto included in the Company's annual financial statements for the year ended September 30, 2010.

Future Accounting Changes

Section 1582

The new Section 1582 of the CICA Handbook – Business Combinations, which replaces Section 1581 – Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. The new standard applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company does not expect the adoption of this new standard to have an impact on its financial statements.

Section 1601 & 1602

The new section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interest, together replace Section 1600 – Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes the accounting for a non-controlling interest in a subsidiary, in the consolidated financial statements, subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company does not expect the adoption of these new standards to have an impact on its financial statements.

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles (“Canadian GAAP”) with IFRS over an expected five year transitional period. The AcSB announced in February 2008 that 2011 will be the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. These standards will apply to the Company for interim and fiscal reporting periods commencing October 1, 2011.

The transition date of October 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ending September 30, 2011. The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS has not been determined.



Hy Lake Gold Inc.

Notes to Interim Financial Statements

Three Months Ended December 31, 2010

(Expressed in Canadian Dollars)

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3. Capital Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus and deficit which at December 31, 2010 totaled \$8,200,063 (September 30, 2010 - \$5,883,988).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended December 31, 2010.

The Company is not subject to any externally imposed capital requirements.

4. Property and Financial Risk Factors

Fair value

The Company's financial instruments as at December 31, 2010 include cash, accounts receivable, and accounts payable and accrued liabilities. Fair value of cash is determined based on transaction value and is categorized as Level 1 measurement. Fair value of accounts payable and accrued liabilities are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short-term maturities of these financial instruments. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:



Hy Lake Gold Inc.

Notes to Interim Financial Statements

Three Months Ended December 31, 2010

(Expressed in Canadian Dollars)

(Unaudited)

4. Property and Financial Risk Factors (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to cash, restricted cash and receivables included in current assets. The Company has no material concentration of credit risk arising from operations. Cash and restricted cash consists of cash and a term deposit, which have been invested with or purchased from a Canadian chartered bank, from which management believes the risk of loss is remote. As at December 31, 2010, the Company's receivables primarily consist of amount due from the Canadian government. The Company's receivables are normally collected within a 60-90 day period. The Company has not experienced any significant collection issues to December 31, 2010. The Company is exposed to credit risk with regards to debtors refusing payment and the government denying the Company claims filed.

The Company's maximum exposure to credit risk as at December 31, 2010 is the carrying value of cash, restricted cash and accounts receivable.

Interest rate risk

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

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2010, the Company had current assets of \$2,599,268 (September 30, 2010 - \$738,026) to settle accounts payable and accrued liabilities of \$199,307 (September 30, 2010 - \$532,053). The ability of the Company to continue to pursue its exploration activities and continue as a going concern is dependant on its ability to secure additional equity or other financing. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. As at December 31, 2010, the Company had working capital of \$2,399,961 (September 30, 2010 - \$205,973).

Sensitivity Analysis

The sensitivity analysis shown in the notes below may differ materially from actual results.

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

(i) Cash and restricted cash are subject to fixed and variable interest rates. Sensitivity to a plus or minus 1% change in interest rates would not have a material impact on the reported net loss for the three months ended December 31, 2010.



Hy Lake Gold Inc.

Notes to Interim Financial Statements

Three Months Ended December 31, 2010

(Expressed in Canadian Dollars)

(Unaudited)

5. Property and Equipment

	December 31, 2010			September 30, 2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 8,554	\$ 2,974	\$ 5,580	\$ 6,032
Machinery and equipment	155,607	70,040	85,567	73,720
Vehicles	30,000	21,715	8,285	8,957
	\$ 194,161	\$ 94,729	\$ 99,432	\$ 88,709

6. Mineral properties and deferred exploration costs

For a description of the mineral properties owned by the Company, refer to Note 4 of the audited financial statements as at September 30, 2010.

On a quarterly basis, management of the Company reviews exploration costs to ensure mineral properties and deferred exploration expenditures include only costs and projects that are eligible for capitalization.

December 31, 2010	Beginning Balance	Acquisition	Exploration	Ending Balance
Mount Jamie	\$ 3,004,245	\$ -	\$ 36,571	\$ 3,040,816
Rowan Lake	2,479,645	-	59,793	2,539,438
Golden Tree	268,392	-	-	268,392
Red Summit	347,022	-	-	347,022
Rubicon (a)	34,002	15,000	-	49,002
	\$ 6,133,306	\$ 15,000	\$ 96,364	\$ 6,244,670

September 30, 2010	Beginning Balance	Acquisition	Exploration	Ending Balance
Mount Jamie	\$ 2,969,173	\$ -	\$ 35,072	\$ 3,004,245
Rowan Lake	1,846,437	-	633,208	2,479,645
Golden Tree	229,792	35,000	3,600	268,392
Red Summit	341,121	-	5,901	347,022
Rubicon (a)	22,002	12,000	-	34,002
	\$ 5,408,525	\$ 47,000	\$ 677,781	\$ 6,133,306



Hy Lake Gold Inc.

Notes to Interim Financial Statements

Three Months Ended December 31, 2010

(Expressed in Canadian Dollars)

(Unaudited)

6. Mineral properties and deferred exploration costs (continued)

(a) On November 24, 2010, the Company signed an agreement with Rubicon Minerals Corporation whereby the Company has the option to acquire a 100% interest in the Rubicon Property through the issuance of 100,000 shares of the Company (no shares issued) and cash commitments of \$125,000. The Company grants to Rubicon a 2% net smelter return royalty (the "Royalty") on the Property. The Company shall have the right to purchase one half of the Royalty from Rubicon for sum of \$1,000,000.

7. Share capital

(a) Authorized

Unlimited number of common shares without par value

Unlimited number of Special shares

(b) Issued

	Number of Shares	Amount
Balance, September 30, 2010	34,304,195	\$ 15,482,719
Issued for cash (i)	5,569,953	2,563,474
Share issue costs	-	(130,456)
Value attributed to warrants on private placement (i)	-	(1,080,805)
Warrant exercise	60,000	20,000
Stock option exercise	70,000	21,000
Balance, December 31, 2010	40,004,148	\$ 16,875,932

(i) On November 19, 2010, the Company closed a non-brokered private placement of 2,000,000 Units at \$0.30 per Unit for gross proceeds of \$600,000. Each Unit consists of one common share and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share at a price of \$0.50 for a period of 24 months from the date of closing (the "Warrant Term"). If after the date that is four months and one day following closing, the common shares of the Company close at \$1.00 or more for 20 consecutive trading days, then the Warrant Term shall be automatically reduced to 30 days from the date that the Company provides the holders of the warrants with written notice of the new expiry date.

The fair value of 2,000,000 warrants issued with the private placement has been estimated at \$246,000 using the Black-Scholes pricing model. The following weighted average assumptions were used:

Risk free interest rate – 1.64%; expected volatility – 101%; Dividend yield - Nil; and expected life – 2 years.



Hy Lake Gold Inc.

Notes to Interim Financial Statements

Three Months Ended December 31, 2010

(Expressed in Canadian Dollars)

(Unaudited)

7. Share capital (continued)

(i) On January 11, 2011, the Company announced the closing on December 23, 2010 and December 31, 2010, respectively of two tranches of a brokered flow through private placement totalling 3,569,953 Units of the Company at \$0.55 per Unit for gross proceeds of \$1,963,474. Each Unit consists of one flow-through common share and one common share purchase price warrant. Each warrant has a 24 month term and entitles the holder to purchase one additional common share of Hy Lake Gold at a price of \$0.75 for a period of 12 months from the date of closing and at a price of \$1.00 for the subsequent 12 months period.

The fair value of 3,598,303 warrants (3,569,953 warrants and 28,350 broker warrants) issued on the private placement has been estimated at \$834,805 using the Black-Scholes pricing model. The following weighted average assumptions were used:

Risk free interest rate – 1.66%; expected volatility – 101%; Dividend yield - Nil; and expected life – 2 years.

8. Restricted Cash

The Company has one company credit card with a major financial institution with an aggregate credit limit of \$22,000. The financial institution holds \$22,000 in a Guaranteed Investment Certificate as collateral on the credit amount as long as the credit card is active. The restricted cash amount would change if there were any change in the credit limit on the card.

9. Warrants

The following summarizes the warrant activity for the three months ended December 31, 2010:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2010	8,425,000	\$ 0.26
Exercised	(60,000)	0.30
Issued (Note 7(b)(i))	5,598,303	0.66
Balance, December 31, 2010	13,963,303	\$ 0.42



Hy Lake Gold Inc.

Notes to Interim Financial Statements

Three Months Ended December 31, 2010

(Expressed in Canadian Dollars)

(Unaudited)

9. Warrants (continued)

As at December 31, 2010, the following warrants were outstanding:

Expiry Date	Number of Warrants	Exercise Price
August 18, 2011	265,000	\$ 0.20 - \$ 0.30 ⁽¹⁾
August 19, 2011	3,100,000	0.20 - \$ 0.30 ⁽¹⁾
June 4, 2011	5,000,000	0.30
November 19, 2012	2,000,000	0.50 ⁽²⁾
December 31, 2012	3,569,953	0.75 - \$1.00 ⁽³⁾
December 31, 2012	28,350	0.55 ⁽⁴⁾
	13,963,303	\$ 0.42

⁽¹⁾ These warrants are exercisable at \$0.20 until August 18 and 19, 2010 and then at \$0.30 until expiry.

⁽²⁾ If after the date that is four months and one day following closing, the common shares of the Company close at \$1.00 or more for 20 consecutive trading days, then the Warrant Term shall be automatically reduced to 30 days from the date that the Company provides the holders of the warrants with written notice of the new expiry date.

⁽³⁾ Each warrant has a 24 month term and entitles the holder to purchase one additional common share of Hy Lake at a price of \$0.75 for a period of 12 months from the date of closing and at a price of \$1.00 for the subsequent 12 months period.

⁽⁴⁾ Each Unit exercisable at \$0.55 consists of one flow-through common share and one common share purchase price warrant. Each warrant has a 24 month term and entitles the holder to purchase one additional common share of Hy Lake at a price of \$0.75 for a period of 12 months from the date of closing and at a price of \$1.00 for the subsequent 12 months period.

10. Stock Options

The following summarizes the stock option activity for the three months ended December 31, 2010:

	Number of Stock Options	Weighted Average Exercise Price
Balance, September 30, 2010	3,395,000	\$ 0.36
Exercised	(70,000)	0.30
Balance, December 31, 2010	3,325,000	\$ 0.36
Exercisable, December 31, 2010	3,325,000	



Hy Lake Gold Inc.
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Three Months Ended December 31, 2010
(Expressed in Canadian Dollars)
(Unaudited)

10. Stock Options (continued)

The following table provides additional information about outstanding stock options as at December 31, 2010:

Range of Exercise Prices (\$)	Weighted Average Exercise Price (\$)	Weighted Average Contractual Life (Years)	Number of Options Outstanding
0.15 - 0.20	0.16	4.07	1,925,000
0.30 - 0.50	0.35	2.08	800,000
1.00	1.00	1.87	600,000
	0.36	3.19	3,325,000

11. Related Party Transactions

Officers, directors and companies controlled by officers and directors of the Company and individuals related to them charged management fees in the amount of \$72,250 (three months ended December 31, 2009 - \$50,463) to the Company during the period.

The Company was charged \$21,541 (three months ended December 31, 2009 - \$1,963) for legal fees by a law firm of which an officer of the Company is a partner.

The Company was charged \$24,000 (three months ended December 31, 2009 - \$nil) for exploration expense by the VP of Exploration.

Accounts payable at December 31, 2010 includes \$9,924 (September 30, 2010 - \$26,724) owing to officers, directors and companies controlled by officers and directors and a law firm which an officer of the Company is a partner.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

12. Commitment

Pursuant to the terms of the flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada) requirements for the look-back rule. The look-back rule requires the Company to incur qualifying exploration expenditures in Canada ("CEE") within 12 months from the effective date of renunciation. As at December 31, 2010, the Company is committed to incurring approximately \$2.0 million in CEE by December 31, 2011 arising from the flow-through offerings.

13. Subsequent Event

Subsequent to the quarter, 20,000 options with an exercise price of \$0.30 and expiry date of September 10, 2013 and 25,000 warrants with an exercise price of \$0.30 and expiry date of August 18, 2011 were exercised for gross proceeds of \$13,500.

