

SOLACE RESOURCES CORP.
(formerly Island Arc Exploration Corp.)

Financial Statements
(Expressed in Canadian dollars)

Years Ended April 30, 2011 and 2010

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Shareholders of Solace Resources Corp. (formerly Island Arc Exploration Corp.)

We have audited the accompanying financial statements of Solace Resources Corp. (formerly Island Arc Exploration Corp.) ("the Company"), which comprise of the balance sheets as at April 30, 2011 and 2010, and the statements of operations and comprehensive loss, shareholders' equity and cash flows for each of the years ended April 30, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Solace Resources Corp. (formerly Island Arc Exploration Corp.) as at April 30, 2011 and 2010 and its financial performance and its cash flows for each of the years ended April 30, 2011 and 2010 in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has limited working capital, has no current sources of revenue and is dependent upon its ability to secure new sources of financing. These matters indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.



INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

Vancouver, Canada
August 23, 2011

Solace Resources Corp.
(formerly Island Arc Exploration Corp.)
 Balance Sheets

	<u>April 30, 2011</u>	<u>April 30, 2010</u>
ASSETS		
Current		
Cash	\$ 29,442	\$ 88,660
Amounts receivable	5,810	990
Due from related parties (note 8)	-	15,664
Marketable securities (note 4)	-	40,000
Prepaid expenses	-	4,743
	<u>35,252</u>	<u>150,057</u>
Acquisition and exploration advances	-	10,934
Mineral property interests (note 5)	1	50,000
Deferred exploration expenditures (note 5)	665,238	783,414
Equipment (note 6)	4,507	6,439
	<u>\$ 704,998</u>	<u>\$ 1,000,844</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 69,588	\$ 17,783
Due to related parties (note 8)	6,528	-
	<u>76,116</u>	<u>17,783</u>

SHAREHOLDERS' EQUITY

Share capital (note 9(b))	11,582,787	11,582,787
Contributed surplus (note 9(e))	451,907	451,907
Accumulated other comprehensive loss	-	(30,000)
Deficit	(11,405,812)	(11,021,633)
	<u>628,882</u>	<u>983,061</u>
	<u>\$ 704,998</u>	<u>\$ 1,000,844</u>

Continuing operations (note 1)

Approved by the Board of Directors:

"Kyle Stevenson"

Kyle Stevenson, director

"Debbie M. Silver"

Debbie M. Silver, director

See notes to the financial statements

Solace Resource Corp.*(formerly Island Arc Exploration Corp.)*

Statements of Operations and Comprehensive Loss

	Years ended April 30	
	2011	2010
Expenses		
Bank charges and interest	\$ 1,130	\$ 3,319
Consulting fees	-	5,137
Corporate development	836	42,331
Legal, accounting and audit	41,527	32,801
Management fees (note 7)	50,000	60,000
Office and miscellaneous	4,473	9,979
Rent	6,904	9,423
Stock-based compensation (note 9 (e))	-	102,540
Transfer agent and filing fees	19,807	14,169
Wages and benefits	18,134	31,119
Loss for the year before under-noted items	(142,811)	(310,818)
Other income (expenses)		
Interest income	-	4
Foreign exchange gain	517	527
Loss on sale of investment	(15,600)	-
Loss on abandonment or impairment of mineral property interests	(226,285)	(541,109)
Loss for the year	\$ (384,179)	\$ (851,396)
Loss for the year	\$ (384,179)	\$ (851,396)
Unrealized loss on marketable securities (note 4)	-	(30,000)
Total comprehensive loss for the year	\$ (384,179)	\$ (881,396)
Basic and diluted loss per share	\$ (0.01)	\$ (0.03)
Weighted-average number of common shares outstanding	33,670,045	32,779,853

See notes to the financial statements

Solace Resource Corp.
(formerly Island Arc Exploration Corp.)
 Statements of Shareholders' Equity

	Years ended April 30, 2011		Years ended April 30, 2010	
	Number of shares		Number of shares	
Share Capital				
Balance at beginning of year	33,670,045	\$ 11,582,787	25,320,045	\$ 11,082,494
Private placement at \$0.10 (note 9(b))	-	-	2,000,000	200,000
Private placement at \$0.05 (note 9(b))	-	-	3,030,000	151,500
Private placement at \$0.05 (note 9(b))	-	-	3,320,000	166,000
Share issue cost (note 9(b))	-	-	-	(17,207)
Balance at the end of the year	<u>33,670,045</u>	<u>\$ 11,582,787</u>	<u>33,670,045</u>	<u>11,582,787</u>
Contributed Surplus				
Balance at beginning of year		\$ 451,907		\$ 349,367
Stock-based compensation		-		102,540
Balance at the end of the year		<u>\$ 451,907</u>		<u>\$ 451,907</u>
Accumulated other comprehensive income (loss)				
Balance at beginning of the year		\$ (30,000)		\$ -
Unrealized loss on marketable securities (note 4)		-		(30,000)
Realized loss on marketable securities (note 4)		30,000		-
Balance at the end of the year		<u>\$ -</u>		<u>\$ (30,000)</u>
Accumulated deficit				
Balance at beginning of the year		\$ (11,021,633)		\$ (10,170,237)
Loss for the year		(384,179)		(851,396)
Balance at the end of the year		<u>\$ (11,405,812)</u>		<u>\$ (11,021,633)</u>
Total Shareholders' Equity		<u>\$ 628,882</u>		<u>\$ 983,061</u>

See notes to the financial statements

Solace Resource Corp.
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 Statements of Cash Flows

	Years ended April 30,	
	2011	2010
Cash Provided by (Used for):		
Operating Activities		
Net loss for the year	\$ (384,179)	\$ (851,396)
Adjustments for items not involving cash:		
Stock-based compensation	-	102,540
Loss on sale of investment	15,600	-
Loss on abandonment or impairment of mineral property interests	226,285	541,109
Changes in non-cash operating working capital:		
Accounts receivable	(4,820)	(299)
Prepaid expenses and deposits	4,743	5,256
Accounts payable and accrued liabilities	51,805	(10,192)
Related parties	22,192	(45,974)
	<u>(68,374)</u>	<u>(258,956)</u>
Investing Activities		
Reclamation bond	-	5,000
Disposition of investment	54,400	-
Proceeds from property option	-	100,000
Deferred exploration expenditures	(45,244)	(245,457)
Acquisition of mineral property interests	-	(20,483)
	<u>9,156</u>	<u>(160,940)</u>
Financing Activities		
Cash received for share capital	-	397,500
Share issuance costs	-	(17,207)
	<u>-</u>	<u>380,293</u>
Net cash used during the year	(59,218)	(39,603)
Cash - beginning of the year	88,660	128,263
Cash - end of the year	<u>\$ 29,442</u>	<u>\$ 88,660</u>

Supplemental disclosure of Non-Cash Financing Activities

The Company incurred non-cash financing and investing activities during years ended April 30, 2011 and 2010 as follows:

	2011	2010
Financing Activities		
Mineral properties interest option proceeds	\$ -	\$ 70,000
Common share issuance costs	-	-
	<u>\$ -</u>	<u>-</u>

See notes to the financial statements

SOLACE RESOURCES CORP.

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1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the British Columbia Business Corporations Act and its principal activity is the acquisition and exploration of resource properties. The Company is currently in the exploration stage of developing its resource properties and has not yet been able to determine whether any of these properties contain resource reserves that are economically recoverable. Subsequent to the year end, on May 17, 2011, the Company changed its name to Solace Resources Corp. and consolidated its share on a 5:1 basis.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and has an accumulated operating deficit of \$11,405,812 (April 30, 2010 - \$11,021,633). The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations or to continue to raise additional equity financing to maintain its working capital.

There can be no assurance that the Company will be able to raise funds in which case the Company may be unable to meet its continuing obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Summarized below are those policies considered particularly significant to the Company.

Use of Estimates

The presentation of financial statements in conformity with Canadian GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and related notes. Management regularly reviews the estimates and assumptions that affect the financial statements, although actual results may be materially different from these estimates and assumptions. Areas where significant estimates and assumptions are required by management include the determination of impairment for capitalized mineral property expenditures, future income tax balances, rates for amortization of equipment and assumptions used to determine the fair value of non-cash stock based compensation.

Investment Income

The Company recognizes in operating income interest income as earned, dividends when declared, and marketable security gains and losses when realized. Interest income includes amortization of any premium or discount recognized at date of purchase. Realized gains and losses represent the difference between the amounts received through the sale of marketable securities and their respective cost base. Unrealized gains and losses on available-for-sale marketable securities are recorded in other comprehensive income and recognized in operations when realized.

Transaction costs are included in the acquisition cost of individual marketable securities and recognized as part of the realized gains or losses when they are sold or written down. Direct investment expenses such as external custodial and management fees, as well as internal investment management expenses, are netted against investment income.

Amortization

Amortization is being provided for at the following rate:

Automotive equipment	-30% declining balance
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Mineral Properties and Deferred Costs

The costs of mineral properties and their related direct exploration costs are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized on the unit-of-production basis over the estimated useful life of the property following the commencement of production or written-off when the properties are sold, allowed to lapse or abandoned.

Costs include any cash consideration and the fair market value of shares issued on the acquisition of property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews capitalized costs on its property interests on a periodic basis and will recognize impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value is also based upon the review of other property transactions that have occurred in the same geographic area as that of the property under review.

Administrative costs are expensed as incurred.

Costs of Maintaining Mineral Properties

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Environmental Expenditures

The operations of the Company have been and may in the future, be affected in varying degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their expected future economic benefit. Estimated future removal and site restoration costs are recognized when the ultimate liability is reasonably determinable, and are charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized on an undiscounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect year-to-year changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation. As at April 30, 2011, the Company does not have any asset retirement obligations.

Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant, when the carrying amounts of the assets exceeds its estimated undiscounted net cash flow from use or its fair value, at which time the impairment is charged to earnings.

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Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares or, for subsequent issues, the date of share issuance.

The proceeds from shares issued under flow-through share financing agreements are credited to share capital and the tax benefits related to the exploration expenditures incurred are transferred to the purchaser of the flow-through shares. When the proceeds of flow-through financings are received, the Company becomes committed to incurring the underlying exploration expenditures; however, the Company does not recognize these future expenditures as liabilities for financial reporting.

Costs incurred to issue shares are deferred until the shares are issued, at which time these costs are charged to share capital.

Stock-based Compensation

The Company accounts for all non-cash stock based payments to non-employees, and employees awards that are direct awards of shares that call for settlement in cash or other assets, or that are share appreciation rights which call for settlement by the issuance of equity instruments, using the fair value method. Consideration received by the Company upon the exercise of share purchase options and warrants, and the stock based compensation previously credited to contributed surplus related to such options and warrants, is credited to share capital.

Loss per Share

Loss per share is computed by dividing net loss by the weighted average number of common shares and common share equivalents outstanding during the year. Shares issuable upon the exercise of share purchase warrants and stock options were excluded from the computation of loss per share because their effect would be anti-dilutive. The Company calculates loss per share using the treasury stock method. Under the treasury stock method only instruments with exercise amounts less than market prices impact the diluted calculations.

Financial instruments

All financial instruments, including derivatives, are included on the Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are recognized in the statements of operations or accumulated other comprehensive income, depending on the classification of the related instruments.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the asset or liability. All financial instruments are classified into one of the following categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period earnings (loss).
- Available-for-sale financial assets are measured at fair value. Changes in fair value are included in other comprehensive income (loss) until the gain or loss is recognized in earnings (loss).
- Held for trading financial instruments are measured at fair value. All changes in fair value are included in earnings (loss) in the period in which they arise.

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- All derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. Changes in fair value are included in earnings (loss) in the period in which they arise, except for cash flow hedge transactions which qualify for hedge accounting treatment in which case gains and losses are recognized in other comprehensive income (loss).

In accordance with this standard, the Company has classified its financial instruments as follows:

Financial Instrument	Classification	Measurement
Cash	Held for trading	Fair value
Amounts receivable	Loans and Receivables	Amortized cost
Balance due from related parties	Loans and Receivable	Amortized cost
Marketable securities and investments (i)	Available for Sale	Fair value
Accounts payable and accrued liabilities	Other Financial Liability	Amortized cost

Marketable Securities

Marketable securities are classified as available-for-sale securities and are measured at fair market value with unrealized gains or losses recorded in comprehensive income (loss). At the time securities are sold or otherwise disposed of, gains or losses are included in earnings (loss).

Translation of Foreign Currency

The Canadian dollar is the functional currency of all the Company's operations which are classified as integrated for foreign currency translation purposes. Under this method translation gains or losses are included in the determination of net income.

Segment disclosures

The Company is operating in a single reportable segment – the acquisition, exploration and development of mineral properties in Niger, West Africa.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, generally using the enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets also result from unused loss carry-forwards and other deductions. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

Under the Canadian Income Tax Act, a company may issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the qualifying expenditure of the proceeds by the company. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate), thereby reducing share capital. Previously unrecognized tax assets may then offset or eliminate the liability recorded.

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3. Future Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

In February 2008 the AcSB announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of May 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011.

4. MARKETABLE SECURITIES

On November 16, 2009 the Company acquired 200,000 shares of Cassidy Gold Corp. (“Cassidy”) in return for assigning partial of its interest in Nassile Gold Permit (see Note 5). These marketable securities were classified as available-for-sale securities with total initial cost of \$70,000. The estimated fair value of these securities at April 30, 2010 was \$40,000 and as a result, \$30,000 was recorded as other comprehensive loss. During the current year the Company sold the securities for \$54,400. As a result, the Company realized the accumulated other comprehensive loss from the previous year and recognized a net loss on sale of securities of \$15,600.

5. MINERAL PROPERTY INTERESTS

Mineral property interests for the year ended April 30, 2011

	April 30, 2010	Additions	Written off on Abandonment	Option Proceeds	April 30, 2011
Back Lake, Canada	\$ 50,000	\$ -	\$ (49,999)	\$ -	\$ 1
	\$ 50,000	\$ -	\$ (49,999)	\$ -	\$ 1

Mineral property interests for the year ended April 30, 2010

	April 30, 2009	Additions	Written off on Abandonment	Option Proceeds	April 30, 2010
Back Lake, Canada	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Dar Es Salam, Niger	15,821	20,483	(36,304)	-	-
Nassile, Niger	89,298	-	-	(89,298)	-
	\$ 155,119	\$ 20,483	\$ (36,304)	\$ (89,298)	\$ 50,000

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Exploration expenses for the year ended:

	April 30,	
	2011	2010
Back Lake, Canada		
Balance, beginning of year	\$ 165,353	\$ 165,353
Write off on impairment	(165,353)	-
Balance, end of year	<u>-</u>	<u>165,353</u>
Dar Es Salam, Niger		
Balance, beginning of year	\$ -	\$ 438,455
Camp	-	12,502
Field equipment and rentals	-	4,243
General and administration	-	6,045
Technical and field staff	-	37,064
Vehicle and transportation	-	6,496
Write off on abandonment	-	(504,805)
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>
Nassile, Niger		
Balance, beginning of year	\$ 618,061	\$ 516,897
Camp	29,257	209,268
Consulting	588	75,337
Drilling	-	39,833
Field equipment and rentals	2,599	88,378
General and administration	2,444	38,947
Geochemical	-	18,930
Geophysical	-	1,684
Technical and field staff	74,800	219,928
Vehicle and transportation	2,644	121,503
Expense recoveries	(65,156)	(631,942)
Option proceeds	-	(80,702)
Balance, end of year	<u>665,237</u>	<u>618,061</u>
Balance April 30, 2011 and April 30, 2010	\$ <u>665,237</u>	\$ <u>783,414</u>

Back Lake, Canada

The Company has a 10.62% carried interest and a 2.16% working interest in a pooled mineral claim group in the Back Lake area. When a production decision is made, the Company will have the option of electing to participate in a joint venture by agreeing to repay its proportionate share of expenditures, plus interest, from production or converting to a 3% gross overriding royalty relating to its interest. During the year the Company wrote down its interest to \$1.

Dar Es Salam, Niger

The Dar Es Salam projects consisted of 2 permits covering 1,000 square kilometres located 150km west of Niamey, the capital of Niger. As a condition of these permits, the Company had undertaken to incur exploration costs of US\$2,046,000 on each permit over three years.

At April 30, 2010, the Company dropped the permits and wrote off related costs.

Nassile, Niger

The Company acquired the Nassile Gold Permit in consideration of the payment of US\$20,000 initially and US\$300,000 upon completion of a bankable feasibility study. Nassile is situated in the South-western section of the Sirba Greenstone Belt immediately northeast of the border with Burkina Faso and 100 kilometres southwest of Niamey. The Vendor shall retain a 5% non-participatory interest in the project during the pre-feasibility stage.

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On November 16, 2009, the Company entered into an option agreement (the "Nassile Agreement") with Cassidy Gold Corp. ("Cassidy"), a Company with three common directors with the Company, including two senior officers. Pursuant to the agreement, Cassidy has the right to acquire up to 70% interest in the Nassile project. In consideration for the option Cassidy paid \$100,000 and issued 200,000 common shares in the capital of Cassidy. In order to earn a 51% interest in the property, Cassidy is required to spend \$1,000,000 (incurred) on exploration expenditures on or before the first anniversary of receipt of Exchange approval. In order to earn an additional 9% for a total of 60% interest in the Property, Cassidy is required to incur an additional \$2,000,000 in exploration expenditure on or before the third anniversary of receipt of Exchange approval. Cassidy shall be entitled to earn an additional 10% interest, for a total 70% interest in the Property, by advising the Company of its intention to complete a bankable feasibility study for the Property at its sole cost within a period of five years from the exercise of the option.

On July 6, 2010, the Cassidy gave notice to the Company that it has complied with its obligations pursuant to the Nassile Agreement and has earned a 51% interest in the Nassile Property. The Agreement provides that the Company and Cassidy are deemed to have entered into a joint venture agreement with respect to the Nassile Property upon this exercise of the option by the Company.

On August 31, 2010, the Company and Cassidy entered into an amended mining option agreement (the "Option Agreement") with Middle Island Resources Pty Ltd ("MIR") of West Perth, Australia pursuant to which the Company and Cassidy have granted MIR an option (the "Option") to acquire up to a 70% interest in the Nassile Property.

In consideration of the grant of the Option, MIR will incur expenditures on the Nassile Property of a minimum of US\$250,000 (the "Minimum Expenditures"). If the Company or Cassidy incur expenditures on the Nassile Property, MIR will reimburse them to a maximum of US\$150,000, which reimbursement would be applied towards the Minimum Expenditures. In order to maintain and exercise the Option, MIR must incur certain expenditures on the Nassile Property and pay all taxes, assessments and other charges relating to the Nassile Property occurring until the earlier of August 31, 2013 and the date that the Option is exercised, lapses or is abandoned. MIR may elect to exercise the Option in one of three ways:

1. if MIR incurs US\$500,000 in exploration expenditures on the Nassile Property by August 31, 2011, the MIR may acquire a 25% interest in the Nassile Property;
2. if MIR incurs US\$500,000 in exploration expenditures on the Nassile Property by August 31, 2011 and US\$500,000 in exploration expenditures on the Nassile Property by August 31, 2012 for a total of US\$1,000,000 in exploration expenditures by August 31, 2012, then MIR may acquire a 51% interest in the Nassile Property; or
3. if MIR incurs US\$500,000 in exploration expenditures on the Nassile Property by August 31, 2011, US\$500,000 in exploration expenditures on the Nassile Property by August 31, 2012 and US\$1,000,000 in exploration expenditures on the Property by August 31, 2013 for a total of US\$2,000,000 in exploration expenditures by August 31, 2013, the MIR may acquire a 70% interest in the Nassile Property. If MIR exercises the Option, then, pursuant to the Option Agreement, MIR, the Company and Cassidy will be deemed to have formed a joint venture for the purpose of exploring the Nassile Property and will enter into a formal joint venture agreement based on industry standards.

During the year, the Company wrote off the \$10,934 advance paid to Niger government to obtain 2 licenses in Kessirine and Assara property, respectively.

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6. EQUIPMENT

		2011		2010	
	Rate	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automotive equipment	30%	\$ 17,929	\$ (13,422)	\$ 4,507	\$ 6,439

7. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the year ended April 30, 2011 and 2010:

	2011	2010
Management fees charged by a company controlled by the President	\$ 35,000	\$ 60,000
Fees charged by a company controlled by common directors	18,135	31,119
Exploration fees charged by a company controlled by a director	-	2,321

These transactions are in the normal course of operations and are measured at fair value as determined by management.

8. DUE FROM RELATED PARTIES

As at April 30, 2011, the Company owes \$6,439 (April 30, 2010 – \$nil) to a company controlled by common directors for expense reimbursements. The amount is unsecured, does not bear interest and have no fixed terms of repayment.

As at April 30, 2011, the Company is owed \$nil (April 30, 2010 – \$15,663) from a company controlled by common directors for expense reimbursements. The amount is unsecured, does not bear interest and have no fixed terms of repayment.

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9. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Share issuances

During the year ended April 30, 2011, the Company entered into no private placements.

During the year ended April 30, 2010, the Company entered into private placement financing as follows:

- The Company issued 2,000,000 units at a price of \$0.10 for total gross proceeds of \$200,000. Each unit consisted of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one common share until August 20, 2011 for \$0.15.
- The Company issued 3,030,000 units at a price of \$0.05 for total gross proceeds of \$151,500. Each unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one common share until May 1, 2010 for \$0.10.
- The Company issued 3,320,000 units at a price of \$0.05 for total gross proceeds of \$166,000. Each unit consisted of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one common share until June 2, 2010 for \$0.10. Finder's fees of \$1,200 were paid.

No fair value was assigned to the warrants issued as part of the units.

c) Stock-based compensation

No options were granted during the 2011 fiscal year end.

The Company granted a total of 1,240,000 stock options to employees, directors and contractors for the year ended April 30, 2010.

The fair value of options and warrants granted has been determined using the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions, particularly as to the expected pricing volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's option and finder's fee warrant grants.

The fair value of the options and warrants granted is (2011 - \$nil; 2010 - \$0.09, weighted averages) was estimated at the grant date based on the Black-Scholes Option Pricing Model, using the following weighted-average assumptions:

	2011	2010
Expected dividend yield (%)	-	NIL
Risk-free interest rate (%)	-	2.51
Expected life (years)	-	4.03
Expected volatility (%)	-	132.55

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The continuity of stock options outstanding is as follows:

Activity	2011		2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance-beginning of year	2,540,000	\$ 0.11	2,225,000	\$ 0.11
Cancelled/expired	(300,000)	\$ 0.05	(925,000)	\$ 0.10
Granted	-	\$ -	1,240,000	\$ 0.10
Balance-end of year	2,240,000	\$ 0.12	2,540,000	\$ 0.11

As at April 30, 2011, the Company has the following stock options outstanding:

Exercise Price Per Share	Expiry Date	2010	Granted	Exercised	Cancelled/Expired	2011
\$0.14	Dec. 17, 2011	50,000	-	-	-	50,000
\$0.14	Dec. 18, 2011	450,000	-	-	-	450,000
\$0.30	Apr. 11, 2012	60,000	-	-	-	60,000
\$0.20	Jul. 3, 2012	100,000	-	-	-	100,000
\$0.15	Jul. 31, 2013	240,000	-	-	-	240,000
\$0.10	Nov. 1, 2013	100,000	-	-	-	100,000
\$0.05	Jan. 12, 2014	600,000	-	-	(300,000)	300,000
\$0.10	July 3, 2014	940,000	-	-	-	940,000
Options outstanding		2,540,000	-	-	(300,000)	2,240,000
Options exercisable		2,540,000				2,240,000

At April 30, 2011, the weighted-average remaining contractual life of stock options outstanding was 2.27 years (April 30, 2010, 3.22 years).

d) The continuity of share purchase warrants outstanding is as follows:

Activity	2011		2010	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance-beginning of year	5,175,000	\$ 0.12	6,183,005	\$ 0.31
Cancelled/expired	(3,175,000)	\$ 0.10	(6,183,005)	\$ 0.31
Granted	-	\$ -	5,175,000	\$ 0.12
Balance-end of year	2,000,000	\$ 0.15	5,175,000	\$ 0.12

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As at April 30, 2011, the Company has the following warrants outstanding:

Exercise Price Per Share	Expiry Date	2010	Granted	Exercised	Cancelled/ Expired	2011
\$0.10	May 1, 2010	1,515,000	-	-	(1,515,000)	-
\$0.10	June 2, 2010	1,660,000	-	-	(1,660,000)	-
\$0.15	Aug. 20, 2011	2,000,000	-	-	-	2,000,000
		<u>5,175,000</u>	<u>-</u>	<u>-</u>	<u>(3,175,000)</u>	<u>2,000,000</u>

At April 30, 2011, the weighted-average remaining contractual life of warrants outstanding was 3 months (April 30, 2010 – 6 months). Warrants for the purchase of 2,000,000 shares expired subsequently unexercised.

e) Contributed surplus

During 2011, there was no change in contributed surplus due to no options being granted or vested from a prior period. During 2010, contributed surplus increased by \$102,540 due to vesting of stock options during the year.

10. INCOME TAXES

No provision for recovery of income taxes was made in period ended April 30, 2011 because of the uncertainty as to the utilization of the losses for income tax purposes. The Company has accumulated losses for tax purposes of approximately \$1,408,000 which expire in various years to 2031 as follows:

2015	194,000
2026	100,000
2027	197,000
2028	256,000
2029	216,000
2030	250,000
2031	195,000
	<u>1,408,000</u>

Income tax expenses differs from the amounts computed by applying the combined Canadian federal and provincial income tax rate to loss before income taxes as follows:

	2011	2010
Net loss before income taxes	\$ (384,179)	\$ (851,396)
Tax rate	28.80%	29.50%
Calculated income tax recovery	(110,644)	(251,162)
Net adjustment for deductible and non-deductible amounts	54,423	177,418
Unrecognized benefit of current non-capital loss	56,221	73,744
Income tax recovery	\$ -	\$ -

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The tax effect of temporary differences that give rise to the Company's future income tax assets and liabilities are as follows:

	2011	2010
Future income tax assets		
Temporary deductible differences in asset amounts	\$ 1,169,715	\$ 1,156,445
Tax loss carry forwards and other deductions	352,000	581,184
	1,521,715	1,737,629
Valuation allowance for future income tax assets	(1,521,715)	(1,737,629)
	\$ -	\$ -

11. SEGMENTED INFORMATION

The Company has only one operating segment, being the exploration and development of resource properties.

	2011	2010
Assets by geographic segment		
Canada	\$ 39,760	\$ 370,028
Niger, West Africa	665,238	630,816
	\$704,998	\$1,000,844

12. FINANCIAL INSTRUMENT RISKS

The Company's financial instruments are exposed to the following risks:

Credit Risk

The Company's primary exposure to credit risk is the risk of illiquidity of cash, amounting to \$29,442 at April 30, 2011 (2010- \$88,660). As the Company's policy is to limit cash holdings and short-term deposits to instruments issued by major Canadian banks, or investments of equivalent or better quality, the credit risk is considered by management to be negligible.

Amounts receivable at April 30, 2011 is \$5,810 (2010- \$990) HST due from the Canadian government.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's only liquidity risk from financial instruments is its need to meet operating accounts payable requirements. The Company has maintained sufficient cash balances to meet these needs at April 30, 2011.

Foreign Exchange Risk

The Company has foreign exchange risk due to its activities carried out in Niger, West Africa. At April 30, 2011 the Company had \$665,238 (2010- \$628,995) in long-term assets originating in Niger.

Interest Rate Risk

The Company has not been exposed to interest rate risk on its cash. At April 30, 2011 the Company maintained all of its cash balance on deposit in a chequing account with a major Canadian bank or with a chequing account with a bank in Niamey, Niger.

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Price Risk

The Company is exposed to price risk on its holdings of public company shares. Although prices for these shares are extremely volatile, the small investment means the overall risk of value change is not significant. The Company has no specific policy to manage this risk. Unrealized gains and losses are reported in other comprehensive income.

Fair Value of Financial Instruments

The fair value of a financial instrument is the price at which a party would accept the rights and/or obligations of the financial instrument from an independent third party. Given the varying influencing factors, the reported fair values are only indicators of the prices that may actually be realized for these financial instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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

The Company's financial instruments carrying amounts and fair values by categories and levels per the fair value hierarchy are as follows:

	Fair Value Level	2011		2010	
		Held for Trading/ Available for sale at fair value	Receivables/ other financial liabilities at amortized cost	Held for Trading/ Available for sale at fair value	Receivables/ other financial liabilities at amortized cost
Financial assets:					
Cash	1	\$ 29,442	\$ -	\$ 88,660	\$ -
Amounts receivable		-	5,810	-	990
Marketable securities	1	-	-	40,000	-
Due from related party		-	-	-	15,664
		\$ 29,442	\$ 5,810	\$ 128,660	\$ 16,654
Financial liabilities:					
Accounts payable and accrued liabilities		\$ -	\$ 68,809	\$ -	\$ 17,783
Due to related party		-	7,307	-	-
		\$ -	\$ 76,116	\$ -	\$ 17,783

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13. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital is to maintain sufficient capital for potential investment opportunities and to pursue generative exploration opportunities. The Corporation from time to time will issue new shares to fund specific project initiatives.

The Company considers its cash to be its manageable capital. The Company's policy is to maintain sufficient cash and deposit balances to cover operating and exploration costs over a reasonable future period, generally one to one and a half years. The Company accesses capital markets through equity issues as necessary and may also acquire additional funds where advantageous circumstances arise.

Excess cash deposits are restricted to guaranteed investment certificates of major banks or instruments of equivalent or better quality. No investments in asset-backed commercial paper are permitted.

The Company currently has no externally-imposed capital requirements except to maintain sufficient cash balances.

14. SUBSEQUENT EVENTS

- Company announced private placement of 6,000,000 units at \$0.10 per unit. Each unit will offer 1 common share and 1 common share purchase warrant at an exercise price of \$0.20 per share for the exercise period of 5 years.
- Company issued 335,000 stock options to its consultants and officers at an exercise price of \$0.20 per option for the period of 5 years.
- Company entered into an option agreement to purchase 100% interest in four mining claims in the North West Territories known as Blachford Rare Earth Property.