

NORTEC MINERALS CORP.
(formerly Nortec Ventures Corp.)

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For The Years Ended December 31, 2010 and 2009

Expressed in Canadian Funds

**To the Shareholders
of Nortec Minerals Corp.**

We have audited the accompanying consolidated financial statements of Nortec Minerals Corp., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of loss, comprehensive loss and deficit, and consolidated statements of 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 Nortec Minerals Corp. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the for the years ended December 31, 2010 and 2009 in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which discloses conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the Nortec Minerals Corp.'s ability to continue as a going concern.

Signed "PricewaterhouseCoopers LLP"

Chartered Accountants

May 2, 2011

Vancouver, British Columbia

Nortec Minerals Corp. (formerly Nortec Ventures Corp.)*(An Exploration Stage Company)***Consolidated Balance Sheets***Canadian Funds*

	December 31, 2010	December 31, 2009
ASSETS		
Current		
Cash	\$ 87,977	\$ 23,399
Bond and deposit (Note 5)	4,302	4,583
Term deposit (Note 5)	36,643	32,618
Accounts receivable (Note 4)	25,200	259,826
Due from related parties (Note 9)	5,000	-
Subscriptions receivable	500	11,000
Prepaid expenses	12,533	16,204
	172,155	347,630
Equipment (Note 6)	62,965	84,477
Mineral Interests (Note 7)	9,482,370	8,678,935
	\$ 9,717,490	\$ 9,111,042
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 229,352	\$ 511,871
Subscriptions payable	-	11,000
Due to related parties (Note 9)	22,500	99,750
	251,852	622,621
SHAREHOLDERS' EQUITY		
Share Capital (Note 8)	14,050,807	12,361,456
Contributed Surplus (Note 8)	4,389,964	3,464,040
Deficit	(8,975,133)	(7,337,075)
	9,465,638	8,488,421
	\$ 9,717,490	\$ 9,111,042

Nature of Operations and Going Concern (Note 1)**Subsequent Events (Note 14)**

ON BEHALF OF THE BOARD:

"Mohan R. Vulimiri"

Mohan R. Vulimiri, Director

"Peter F. Tegart"

Peter F. Tegart, Director

- See Accompanying Notes -

Nortec Minerals Corp. (formerly Nortec Ventures Corp.)*(An Exploration Stage Company)***Consolidated Statements of Loss and Comprehensive Loss and Deficit****For the years ended December 31***Canadian Funds*

	2010	2009
General and Administrative Expenses		
Salaries and payroll expenses	\$ 521,637	\$ 510,453
Financing cost	265,050	-
Advertising and promotion	202,811	99,562
Stock based compensation expense (Note 8c)	199,772	696,017
Property research	83,349	195,421
Office rent	75,470	76,229
Management consulting fees (Note 9)	71,000	117,617
Consulting fees	-	98,500
Accounting and audit	44,698	47,929
Travel and accommodation	35,449	15,254
Office services and expenses	24,972	20,334
Amortization	24,580	28,205
Regulatory compliance	20,136	21,439
Insurance	17,370	17,247
Shareholder information	15,188	10,151
Telecommunication	11,137	10,982
Transfer agent fees	9,472	13,277
Bank charges and fees	2,152	1,870
Legal fees	1,248	20,071
Training courses	850	2,550
Workers compensation and medical	796	(3,808)
	1,627,137	1,999,300
Other (Income)Expenses		
Foreign exchange (gain) loss	11,512	1,691
Interest income	(591)	(3,062)
Write-off acquisition costs	-	916,803
Loss Before Income Taxes	1,638,058	2,914,732
Future income tax recovery liability (Note 12)	-	-
Loss and Comprehensive Loss for the year	1,638,058	2,914,732
Deficit – Beginning of year	7,337,075	4,422,343
Deficit – End of Year	\$ 8,975,133	\$ 7,337,075
Loss per share – Basic and diluted	\$ 0.01	\$ 0.03
Weighted average number of common shares outstanding	114,820,896	86,301,166

- See Accompanying Notes -

Nortec Minerals Corp. (formerly Nortec Ventures Corp.)*(An Exploration Stage Company)***Consolidated Statements of Cash Flows****For the years ended December 31**

(Audited)

Canadian Funds

	2010	2009
Operating Activities		
Net loss for the year	\$ (1,638,058)	\$ (2,914,732)
Items not affecting cash:		
Stock based compensation	199,772	696,017
Write-off acquisition costs	-	916,803
Amortization	30,014	28,205
Financing cost	265,050	0
Changes in non-cash working capital:		
Bonds and term deposits	(3,744)	(220)
Prepaid expenses	3,671	(8,368)
Accounts payable and accrued liabilities	(379,843)	24,457
Due from related parties	(5,000)	-
Due to related parties	(77,250)	99,750
	(1,605,388)	(1,158,088)
Investing Activities		
Mineral interests expenditures	(369,860)	(1,715,979)
Short term investment	-	400,000
Purchase furniture and equipment	(8,502)	(5,281)
	(378,362)	(1,321,260)
Financing Activities		
Issuance of share capital, net	2,048,328	2,452,799
	2,048,328	2,452,799
Net decrease in Cash	64,578	(26,549)
Cash position – Beginning of Year	23,399	49,948
Cash position – End of Year	\$ 87,977	\$ 23,399

Supplemental disclosure with respect to cash flows Note 10

- See Accompanying Notes -

Nortec Minerals Corp. (formerly Nortec Ventures Corp.)

(An Exploration Stage Company)

Notes To Consolidated Financial Statements

December 31, 2010 and 2009

1. Nature of Operations and Going Concern

Nortec Minerals Corp. (the "Company") is an exploration stage company incorporated in the province of British Columbia and is engaged in the acquisition and exploration of mineral properties. On January 7, 2010 the Company changed its name from Nortec Ventures Corp. to Nortec Minerals Corp.

Going Concern

The Company has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as deferred mineral interest costs is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of its properties.

While the Company's consolidated financial statements have been prepared using Canadian Generally Accepted Accounting Principles ("GAAP") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events cast significant doubt on the validity of this assumption. For the year ended December 31, 2010, the Company reported a loss of \$1,638,058 and as at that date had an accumulated deficit of \$8,975,133. As of December 31, 2010, the Company has a working capital deficiency of \$79,697. While in the past the Company has been successful in obtaining additional funding from equity financings, option agreements, loans or through other arrangements, there is no assurance that these initiatives will be successful in the future.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Nortec Ecuador S.A. ("NESA"), Nortec Mineral Oy ("NMO") and Tammela Minerals Oy ("TMO"). All inter-company transactions and balances are eliminated upon consolidation.

3. Significant Accounting Policies

a) Cash and Cash Equivalents

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less.

b) Management Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and

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Notes To Consolidated Financial Statements

December 31, 2010 and 2009

3. Significant Accounting Policies - *continued*

b) Management Estimates— *continued*

liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Significant estimates include the basis of impairment of mineral properties and valuation of future income taxes and valuation of stock options and warrants. Actual results could differ from those estimates.

c) Mineral Interests

The Company is exploring and is in the process of determining the extent of mineralization on its mineral properties.

Mineral exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is sold, abandoned, or determined to be impaired. Costs for a producing property are amortized on a unit-of-production basis over the estimated ore reserves, while costs for properties sold, abandoned, or determined to be impaired are written off.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

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

Management of the Company regularly reviews the net carrying value of each mineral property. Where information is available and conditions suggest impairment, estimated future net cash flows are calculated using estimated future prices, proven and probable reserves, resources and operating and capital costs on an undiscounted basis. An impairment charge is recorded if the undiscounted future net cash flows are less than the carrying amount. Reductions in the carrying value, with a corresponding charge to operations, are recorded to the extent that the estimated future net cash flows on a discounted basis are less than the property interest carrying value. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered. If an impairment is identified, the carrying value of the property interest is written down to its estimated fair value.

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3. Significant Accounting Policies - *continued*

d) Equipment

Equipment is recorded at cost less accumulated amortization. The Company provides for amortization on its equipment on a straight line basis, using the following estimated lives:

Computer hardware	3 years
Computer software	7 years
Vehicles	5 years
Furniture	5 years
Exploration equipment	4 years

e) Property Option Agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral interest or recoverable when the payments are made or received.

f) Asset Retirement Obligations

The Company recognizes a legal liability for obligations relating to retirement of property, plant, and equipment, arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost must be recognized at fair value when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. The carrying amount of the liability is accreted by a charge to operations to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows. The Company currently has no asset retirement obligations.

g) Income Taxes

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on future taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not. A valuation allowance is provided to the extent that it is more likely than not, that future income tax assets will not be realized.

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3. Significant Accounting Policies - *continued*

h) Financial Instruments

Under CICA Section 3855, Financial Instruments - Recognition and Measurement, all financial instruments are classified into one of the following five categories: held for trading financial instruments, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held for trading financial instruments are measured at fair value (or marked to market) and all gains and losses are included in the reported earnings or loss for the period in which they arise. Available-for-sale financial instruments are measured at fair value (or marked to market) with revaluation gains and losses excluded from reported earnings or loss and included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments and other financial liabilities are measured at amortized cost using the effective interest method.

The company's financial instruments have been classified as follows:

Instrument	Classification
Cash and cash equivalents	Held for trading
Bonds and deposits	Loans and receivables
Term deposits	Loans and receivables
Accounts receivable	Loans and receivables
Due from related parties	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

Transaction costs incurred to acquire or issue financial instruments are included in the underlying balance.

i) Loss per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. For the years ended December 31, 2010 and 2009, the dilutive effect of convertible securities is not applicable because the Company has a loss for the year.

3. Significant Accounting Policies - *continued*

j) Share Capital

- (i) The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.
- (ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.
- (iii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis on relative fair values as follows: the fair value of common shares is based on the market close on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.
- (iv) All costs related to issuances of share capital are charged against the proceeds received from related share capital.

k) Translation of Foreign Currencies

The Company's subsidiaries are integrated foreign operations and their results and financial position are translated into the Company's measurement currency, the Canadian dollar, using the temporal method as follows:

- Monetary assets and liabilities at year-end rates;
- All other assets and liabilities at historical rates; and
- Revenue and expense items at the average rate of exchange prevailing during the year, except for amortization which is recorded at historical rates.

Translation gains and losses arising from these transactions are reflected in income or expense in the year that they occur.

l) Stock Based Compensation

The fair value of all stock-based awards made to employees and non-employees are measured and recognized using the Black-Scholes Option Pricing Model. For employees, the fair value of the options are measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations or capitalized as mineral interest costs on a straight-line basis over the vesting period, with the offsetting credit to contributed surplus. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

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3. Significant Accounting Policies - *continued*

m) Recent accounting pronouncements

Business Combinations; Consolidated Financial Statements and Non-Controlling Interests

- In January 2008, the Canadian Institute of Chartered Accounts ("CICA") issued Handbook Sections 1582 – *Business Combinations*; 1601 – *Consolidated Financial Statements*; and 1602 – *Non-Controlling Interests*. These sections replace the former CICA Handbook Section 1581 – *Business Combinations* and CICA 1600 – *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections also provide the Canadian equivalent to IFRS 3 – *Business Combinations* and IAS 27 – *Consolidated and Separate Financial Statements*

International Financial Reporting Standards ("IFRS") - In 2008, the Canadian Accounting Standards Board confirmed that the transition to IFRS from Canadian GAAP will be effective for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises. The Company will therefore be required to present IFRS financial statements for its March 31, 2011 interim financial statements. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ending December 31, 2010.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of this change on its consolidated financial statements.

4. Financial Instruments

Categories of Financial Instruments - The Company's financial instruments are classified into one of the following five categories under Canadian GAAP: held-for-trading, held to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. As at December 31, 2010, the carrying value of the Company's financial instruments approximates their fair value. Cash and cash equivalents and short term investments are recorded at fair value and the Company's other financial instruments are recorded at amortized cost, which approximates fair value due to their short term nature. The Company's financial instruments are classified into the following categories:

	December 31, 2010		December 31, 2009	
Held for trading (1)	\$	87,977	\$	23,399
Loans and receivables (2)	\$	40,945	\$	37,201
Loans and receivables (3)	\$	30,700	\$	259,826
Other financial liabilities (4)	\$	251,852	\$	611,621

(1) Includes cash and cash equivalents

(2) Includes Mastercard security deposit, reclamation bond

(3) Includes accounts receivable, subscriptions receivable and amounts due from related parties

(4) Includes accounts payable, accrued liabilities and amounts due to related parties

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Notes To Consolidated Financial Statements**December 31, 2010 and 2009**

4. Financial Instruments - continued

CICA Handbook Section 3862, Financial Instruments – Disclosures, requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

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

At December 31, 2010, the Company's financial instruments which are measured at fair value on a recurring basis were cash and cash equivalents. These financial instruments were classified as "Level 2" financial instruments.

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

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation and cause the other party to incur a financial loss. The Company's credit risk consists primarily of cash and cash equivalents, short term investments and accounts receivable. The credit risk is minimized by placing cash and cash equivalents and investing short term investments with major Canadian financial institutions. The carrying amount of the financial assets is the maximum exposure to credit risks.

b) Currency Risk

The Company is exposed to foreign currency fluctuations to the extent accounts payable and accrued liabilities of the Company are not denominated in Canadian dollars.

The following table summarizes the Company's foreign exchange exposure as at December 31, 2010;

		Euros		USD		CAD		fx change 10% +/-
Liabilities	\$	33,001	\$	937	\$	45,523	\$	4,552
Cash		18,484		8,677		33,395		3,339
Accounts Receivable		6,060		-		8,033		803
Currency Risk	\$	57,545	\$	9,614	\$	86,951	\$	8,694

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures.

The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and cash equivalents, short term investments and expected exercise of stock options and share purchase warrants. Refer also to Going Concern in Note 1.

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4. Financial Instruments - *continued*

d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in fair value is limited because these investments are generally held to maturity.

5. Bond and Deposits

a) Reclamation Bond

The Company has placed USD \$3,500 (CDN \$3,501) (2009 – USD \$3,500 (CDN \$3,673) in a term deposit which is held as a guarantee for the environmental clean-up of the Ganarin property in Ecuador.

b) Rent Deposit

The Company has placed Euros \$810 (€605) (2009 – \$910) in a term deposit which is held as a guarantee for rent payment on a storage facility in Finland.

c) Term Deposit

The Company has placed \$32,666 (2009 - \$32,618) and \$3,977 (€3,000) (2009 – NIL) in term deposits which are held as guarantees for the Company's Mastercard accounts. Current accrued interest in the amount of \$666 is included.

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6. Equipment

Details are as follows:

	Cost		Accumulated Depreciation		December 31, 2010 Net Book Value
Vehicle	\$	14,575	\$	(11,721)	\$ 2,854
Computer equipment		92,718		(51,383)	41,335
Furniture		23,218		(11,010)	12,208
Exploration equipment		8,502		(1,934)	6,568
	\$	139,013	\$	(76,048)	\$ 62,965

	Cost		Accumulated Depreciation		December 31, 2009 Net Book Value
Vehicle	\$	14,575	\$	(9,041)	\$ 5,534
Computer equipment		92,718		(30,388)	62,330
Furniture		23,218		(6,605)	16,613
	\$	130,511	\$	(46,034)	\$ 84,477

7. Mineral Interests

The Company's capitalized property costs as at December 31, 2010;

	TL Property Labrador	Ganarin Property Ecuador	Seinajoki Kaatiala Property Finland	LK Property Finland	Tammela Property Finland	Total
Acquisition costs	\$ 220,723	\$ 91,394	\$ 180,914	\$ 1,625,695	\$ -	\$ 2,118,726
Exploration costs	2,523,556	1,334,347	275,816	3,164,882	65,043	7,363,644
Total	\$ 2,744,279	\$ 1,425,741	\$ 456,730	\$ 4,790,577	\$ 65,043	\$ 9,482,370

The Company's capitalized property costs as at December 31, 2009:

	TL Property Labrador	Ganarin Property Ecuador	Seinajoki Kaatiala Property Finland	LK Property* Finland	Tammela Property Finland	Total
Acquisition costs	\$ 220,723	\$ 91,394	\$ 60,000	\$ 1,625,695	\$ -	\$ 1,997,812
Exploration costs	2,512,571	1,287,219	29,764	2,851,024	545	6,681,123
Total	\$ 2,733,294	\$ 1,378,613	\$ 89,764	\$ 4,476,719	\$ 545	\$ 8,678,935

*Now known as the LK Property, formerly known as the Kaukua Property. The name was changed upon acquisition of the Haukiahho claim group. See Note 7 c).

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7. Mineral Interests - continued

Mineral interest expenditures for the year ended December 31, 2010 are as follows;

	TL Property, Labrador	Ganarin Property, Ecuador	Seinajoki Kaatiala Property Finland	LK Property, Finland	Tammela Property Finland	Total
Balance as at December 31, 2009	\$ 2,733,294	\$ 1,378,613	\$ 89,764	\$ 4,476,719	\$ 545	\$ 8,678,935
Activity 2010:						
Acquisition costs	-	-	27,692	-	-	27,692
Option payments	-	-	93,222	-	-	93,222
Exploration Costs:						
Survey and mapping	-	-	-	-	-	-
Office expenses	-	14,869	1,051	5,479	3,477	24,876
Project management fees	-	-	42,442	12,751	82	55,275
Geological survey	-	7,587	20,906	194,710	33,842	257,045
Geophysical survey	-	-	-	32,738	14,767	47,505
Metallurgical	-	-	-	18,380	-	18,380
Drilling	-	-	88,192	-	-	88,192
Assay	-	703	36,361	-	-	37,064
Land owner costs	-	-	-	15,278	-	15,278
Camp expenses	-	8,359	11,814	16,147	1,315	37,635
Government fees, licenses, permits	10,985	6,675	12,949	161	699	31,469
Travel	-	110	23,198	9,511	2,637	35,456
Bank charges and fees	-	512	-	1,006	363	1,881
Community relations	-	568	72	296	76	1,012
Accounting and audit	-	895	-	4,801	2,400	8,096
Legal fees	-	130	9,067	2,600	4,840	16,637
IVA sales tax	-	6,720	-	-	-	6,720
Total activity 2010	10,985	47,128	366,966	313,858	64,498	803,435
Balance as at December 31, 2010	\$ 2,744,279	\$ 1,425,741	\$ 456,730	\$ 4,790,577	\$ 65,043	\$ 9,482,370

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7. Mineral Interests – continued

Mineral interest expenditures for the year ended December 31, 2009 are as follows:

	TL Property, Labrador	Ganarin Property, Ecuador	Seinajoki Kaatiala Property Finland	LK Property, Finland	Tammela Property Finland	Total
Balance as at December 31, 2008	\$ 2,658,395	\$ 1,338,801	\$ -	\$ 2,437,964	\$ -	\$ 6,435,160
Activity 2009:						
Acquisition costs	-	-	60,000	1,475,576	-	1,535,576
Option payments	70,000	-	-	-	-	70,000
Exploration Costs:						
Survey and mapping	-	-	-	-	-	-
Office expenses	-	16,878	372	15,310	-	32,560
Project management fees	-	-	-	178,612	-	178,612
Geological survey	1,798	8,444	24,750	16,759	-	51,751
Geophysical survey	-	-	-	1,050	-	1,050
Metallurgical	-	-	-	80,394	-	80,394
Drilling	-	-	-	381,820	-	381,820
Assay	738	327	-	73,057	-	74,122
Camp expenses	-	5,071	277	30,157	-	35,505
Government fees, licenses, permits	2,363	-	4,365	7,852	545	15,125
Travel	-	226	-	34,826	-	35,052
Bank charges and fees	-	475	-	(2,578)	-	(2,103)
Community relations	-	473	-	-	-	473
Accounting and audit	-	865	-	-	-	865
Legal fees	-	-	-	14,996	-	14,996
IVA sales tax	-	7,053	-	-	-	7,053
Future income tax	-	-	-	-	-	-
Project rebates	-	-	-	(269,076)	-	(269,076)
Total activity 2009	74,899	39,812	89,764	2,038,755	545	2,243,775
Balance as at December 31, 2009	\$ 2,733,294	\$ 1,378,613	\$ 89,764	\$ 4,476,719	\$ 545	\$ 8,678,935

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7. Mineral Interests – *continued*

a) TL Property, Labrador

The Company has earned a 51% interest in the TL Property by completing initial exploration work as per the option agreement. Dependent on the level of participation by the optionor the Company has the option to earn up to a 100% interest in the property by issuing an additional 400,000 common shares and incurring an additional \$10,000,000 in cumulative exploration expenditures over a ten year period, and granting a 2.5% net smelter return to the optionor.

On May 11, 2009 the optionor elected not to participate at the 49% working interest level. On June 25, 2009 the Company issued a further 200,000 common shares of the Company to have the option to acquire further interest in the Property. The Company now has the option to incur additional exploration expenditures in the amount of \$3,000,000 within two years to earn a further 14% working interest in the property for an aggregate 65% interest. At the expiry of this two year period the Company will have the option to earn a further 10% by incurring additional exploration expenditures in the amount of \$2,000,000 within one year for an aggregate 75% interest.

If the optionor elects not to participate at the 25% working interest level, the Company has the option to earn a further 15% by issuing a further 200,000 shares and incurring an additional \$5,000,000 exploration expenditures within three year period for an aggregate 90% interest.

Upon the Company earning the 90% interest the optionor's remaining 10% interest will convert to a 2.5% net smelter return and the Company will become the beneficial owner of a 100% interest in the TL Property.

Excess exploration expenditures in any year are carried forward and applied to future expenditure obligations.

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7. Mineral Interests – continued

b) Ganarin Property, Ecuador

On April 18, 2005 the Company entered into an option agreement to acquire a 49% undivided interest in the Ganarin Property consisting of Ganarin and Ganarin II mineral concessions, located near the town of Santa Isabel, Southern Ecuador.

The Company, at its option, may earn a 49% interest by making cash payments, incur minimum exploration expenditures and issue common shares as follows:

	Option Payments US\$	Shares	Exploration Expenditures US\$
TSX approval May 4, 2005 * ** \$	25,000	100,000	\$ -
On or before May 4, 2006 * **	-	200,000	250,000
On or before May 4, 2011 ***	-	200,000	250,000
On or before May 4, 2011 ***	-	250,000	500,000
On or before May 4, 2011 ***	-	250,000	500,000
Total \$	25,000	1,000,000	\$ 1,500,000

* ** Paid Issued

*** The Company and the optionor have agreed to extend the due date for the issuance of shares from 2007 to 2011. The optionor is currently undergoing restructuring prior to going Public. This has delayed further extensions to share issuances the Company is currently negotiating with the optionor. All required exploration expenditures have been incurred before the due date.

Excess expenditures in any year are carried forward and applied to future expenditure obligations.

Provided the above conditions are satisfied the Company may, at its option increase its interest to 51% by incurring additional expenditures of US\$1,000,000. In the event that the Company's interest dilutes below a 10% Joint Venture Interest, it shall automatically be converted to 1% Net Smelter Return.

Measurement Uncertainty

On January 29, 2009, a new Mining Law was enacted in Ecuador which, together with the Regulations to the Mining Law signed by the President of Ecuador on November 4, 2009, establishes the new legal framework for mining in Ecuador. However, the terms and conditions of the Exploitation Agreements which will cover the final development and production phases of a mining project have yet to be developed.

To date, the Company has not identified any conditions that would result in a determination of a material impairment in the carrying value of the company's concessions in Ecuador. Changes in the application of the new Mining Law and/or other political and regulatory factors may result in an impairment of the Company's mineral property carrying values in Ecuador. The amount of such impairment may be material.

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7. Mineral Interests – continued

c) LK Property, Finland

On July 29, 2008, the Company entered into an option agreement to earn a 70% interest in the Kaukua platinum, palladium, gold property in northeastern Finland by making option payments of €190,000 (in cash or shares) and incurring initial exploration expenditures of €600,000 over three years from the date of the option agreement. In the event Nortec completes the initial exploration expenditures before the second anniversary date of the option agreement, the second Annual Payment set forth under the table will not be payable.

The Company has the right to earn an additional 10% interest in the Kaukua project by incurring additional €2,500,000 of exploration expenditures on the property or completing a bankable feasibility study, whichever occurs first.

The option agreement was signed by the Company having received confirmation that exploration licenses for the property have been obtained. The Company released payment of €30,000 (\$43,000), which was previously held in trust and in addition the second option payment of €60,000 (\$101,000) was made. On August 31, 2008, the Company earned its 70% interest in the Kaukua property.

On September 4, 2009 the Company acquired the remaining 30% interest in the Kaukua property. Subject to the TSX Venture Exchange approval the Company will obtain 100% ownership in the Kaukua property in exchange for outstanding VAT refund claims allowable on Kaukua exploration expenditures as at July 31, 2009 in the amount of \$269,076. The vendor will retain a 2% Net Smelter Royalty on any future production. In October 2009 the Company received approval from the TSX Venture Exchange and now owns 100% of the Kaukua Property.

In accordance with the option agreement the option payment due on or before the 2nd anniversary date of the option agreement in the amount of €100,000 Euros is not payable as the Company has completed the initial exploration expenditures of €600,000 Euros.

The terms of the option agreement are as follows:

	Option Payments (Euros)	Exploration Expenditures (Euros)
Upon claim ownership confirmation	€ 30,000	€ -
On or before July 26, 2008	-	150,000
On or before the 1 st anniversary date of the option agreement	60,000	-
On or before the 2 nd anniversary date of the option agreement	100,000	-
On or before the 3 rd anniversary date of the option agreement	-	450,000
Total	€ 190,000	€ 600,000

7. Mineral Interests – *continued*

c) LK Property, Finland – *continued*

On October 15, 2009 the Company announced the 100% acquisition of the Haukiahö Palladium-Platinum-Gold-Copper-Nickel property in northern Finland in exchange for ten million common shares of the Company. On October 20, 2009 the TSX Venture Exchange approved this transaction. The transaction will be completed in two 'Closings'. The First Closing was completed on October 21, 2009 when the Company issued eight million common shares. The Company recorded this transaction at the share price of \$0.15 being the closing price of the Company's shares on October 21, 2009, for a total value of \$1,200,000. The Company will issue the remaining two million common shares upon completion of the transfer, conveyance, assignment of rights and titles of the mineral claims to the Company to complete the Second Closing.

On December 1, 2009 the Company announced a change of name for the Kaukua Property to the LK Property.

Nortec Mineral Oy ("NMO") was incorporated in Finland on September 30, 2009 to manage the Company's exploration work on the LK Property and Seinäjoki Property in Finland.

d) Tammela Property, Finland

In 2009 the Company was granted two claim reservations by the Finland Ministry of Employment and the Economy for two lithium claim reservations in southwest Finland, known as Kietymäki Lithium Prospect and Hirvikallio Lithium Prospect collectively known as the Tammela Property.

Tammela Minerals Oy ("TMO") was incorporated in Finland on November 11, 2010 to manage the Company's exploration work on these claim reservations.

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7. Mineral Interests – continued

e) Seinajoki Property, Finland

On September 22, 2009 the Company announced that it will enter into a Memorandum of Understanding (“MOU”) to acquire 100% interest in the Seinajoki gold property in south western Finland. Subject to proof of ownership of the exploration claims the Company will enter into an option agreement with the vendor.

The TSX Venture Exchange approved, the terms of the option agreement on October 14, 2009. The option payment and exploration work schedule are as follows;

	Option Payments (Euros)	Shares	Exploration Expenditures (Euros)
Within fifteen days of signing the MOU	€ 10,000*	400,000*	€ -
On or before April 1, 2010	-	-	50,000
Upon claim ownership confirmation and signing of option agreement	20,000*	600,000*	-
On or before the 1 st anniversary date of the option agreement	30,000	900,000	-
On or before the 2 nd anniversary date of the option agreement	50,000	1,000,000	-
On or before the 3 rd anniversary date of the MOU	-	-	1,000,000
Total	€ 110,000	2,900,000	€ 1,050,000

*Paid / Issued

The vendor will retain a 2% Net Smelter Royalty.

On October 13, 2009 the Company announced the acquisition of an additional 900 hectares Kaatiala Claim Reservation within the Seinajoki Rare Earth Metals Area Reservation. This acquisition will be included under the existing Memorandum of Understanding signed September 22, 2009 referred to above to earn a 100% interest in the Seinajoki property.

The TSX Venture Exchange approved, the terms of the Seinajoki Option Agreement on October 14, 2009.

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8. Shareholder's Equity

As at December 31, 2010 the Company's shareholder's equity consists of the following;

Authorized: Unlimited common shares without par value	Number of Shares	Share Capital	Contributed Surplus Options	Contributed Surplus Warrants
Balance – December 31, 2008	72,060,834	\$ 9,039,880	\$ 1,200,709	\$ 1,130,149
Private placement, net	20,272,400	2,050,299	-	-
Shares issued for mineral properties	8,800,000	1,300,000	-	-
Warrants exercised	2,500,000	375,000	-	(55,636)
Options exercised, net	150,000	27,646	(12,646)	-
Private placement warrants fair value (Note 8a)	-	(443,869)	-	499,505
Shares issued for A/P	113,600	12,500	-	-
Stock based compensation expense	-	-	701,959	-
Balance – December 31, 2009	103,896,834	\$ 12,361,456	\$ 1,890,022	\$ 1,574,018
Private placements, net	15,528,005	1,705,953	-	-
Warrants exercised	357,500	53,625	-	-
Options exercised	1,875,000	288,750	-	-
Shares issued for mineral properties	600,000	78,000	-	-
Private placement warrants fair value	-	(670,322)	-	935,372
Options exercised 2010 fair value to share capital	-	233,345	(233,345)	-
Stock based compensation	-	-	223,897	-
Balance December 31, 2010	122,257,339	\$ 14,050,807	\$ 1,880,574	\$ 2,509,390

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8. Shareholder's Equity - *continued*

a) Share Issuance

On April 16, 2009 the Company closed a non brokered private placement of 5,000,000 units at a price of \$0.10 per unit for gross proceeds of \$500,000. Each unit consisted of one common share of the Company and one-half common share purchase warrant. Each whole warrant can be exercised to acquire one additional share at an exercise price of \$0.15. These warrants were exercised on April 22, 2009 and the Company issued 2,500,000 common shares for gross proceeds of \$375,000.

On May 4, 2009 the Company closed a non brokered private placement of 10,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,000,000. Each unit consisted of one common share of the Company and one-half common share purchase warrant. Each whole warrant can be exercised to acquire one additional share at an exercise price of \$0.15. These warrants expire November 4, 2010. See Note 8 b) for change to expiry date.

On May 4, 2009 the Company issued common shares as fee shares in the amount of 201,600 shares at \$0.185 being the closing price on the date of issue.

On March 17, 2009 the Company issued 200,000 common shares as part of its acquisition costs for the TL Property. These shares were valued at \$0.09 per share being the closing price of the Company's shares on the date of issue. On June 25, 2009 the Company issued a further 200,000 common shares as part of its acquisition costs for the TL Property. These shares were valued at \$0.11 per share being the closing price of the Company's shares on the date of issue.

On April 23, 2009 75,000 options were exercised at a price of \$0.10 per share for gross proceeds of \$7,500. On September 14, 2009 75,000 options were exercised at a price of \$0.10 per share for gross proceeds of \$7,500.

On October 14, 2009 the Company issued 400,000 common shares as part of its acquisition costs for the Seinajoki Property. These shares were valued at \$0.15 per share being the closing price of the Company's shares on the date of issue; value \$60,000.

On October 21, 2009 the Company issued 8,000,000 common shares to complete the first of two closings for the acquisition of the Haukiahho Property in northern Finland. These shares were valued at \$0.15 per share being the closing price of the Company's shares on the date of issue; value \$1,200,000. The Company will issue an additional two million common shares upon completion of the transfer, conveyance, assignment of rights and titles to complete the second and final closing.

On November 5, 2009 the TSX Venture Exchange approved shares for debt swap with a related party. The Company issued 113,600 common shares at \$0.11 per common share being the closing price on the date of issue in exchange for amount owed of \$12,500.

On November 11, 2009 the Company closed a non-brokered private placement for a minimum 10,000,000 units at a price of \$0.11 per unit. On November 11, the Company announced a non-brokered private placement for a minimum 10,000,000 units at a price of \$0.11 per unit for total proceeds of \$1,100,000. Each unit consisted of one common share of the Company and one non transferable common share purchases warrant. Each warrant will be exercisable to acquire one additional common share of the Company at an exercise price of \$0.20 for a period of eighteen months from the closing of the private placement. This private placement was completed in two tranches.

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8. Shareholder's Equity - continued

a) Share Issuance - continued

1. On December 14, 2009 the Company completed the first tranche of the November 11, 2009 private placement by issuing 5,040,000 units at a price of \$0.11 per unit for total proceeds of \$554,400. Commission units were issued in the amount of 30,800 at a price of \$0.11 for a total cost of \$3,388. Each commission unit consists of one common share of the Company and one full warrant. Each warrant will be exercisable to acquire one additional common share of the Company at an exercise price of \$0.20 for a period of eighteen months. The expiry date for the warrants is June 15, 2011.

2. On January 15, 2010 the Company completed the second tranche of the November 11, 2009 private placement by issuing 5,465,000 units at a price of \$0.11 per unit for total net proceeds of \$596,990. Each unit consists of one common share of the Company and one full warrant. Each warrant will be exercisable to acquire one additional common share of the Company at an exercise price of \$0.20 for a period of eighteen months. The expiry date for the warrants is June 15, 2011. In addition the company issued 375,550 commission units. Each commission unit consists of one common share of the Company and one full warrant. Each warrant will be exercisable to acquire one additional common share of the Company at an exercise price of \$0.20 for a period of eighteen months. The expiry date for the warrants is June 15, 2011.

The Company recorded \$224,311 fair value for the 5,465,000 warrants issued on January 15, 2010 which was charged to contributed surplus with the offsetting amount reducing share capital.

On January 29, 2010 the Company extended the expiry date on warrants expiring February 14 and March 14, 2010 to August 14, 2013 and September 5, 2013. As the amount relates to an incentive to warrant holders to exercise, the Company recorded the \$265,050 fair value of the incentive as a financing cost in the current period.

On September 21, 2010 the Company issued 600,000 common shares upon signing of the option agreement for the Seinajoki property. These shares were valued at \$0.13 per share being the closing price of the Company's shares on the date of issue; value \$78,000.

On July 17, 2010 the Company announced a non-brokered private placement for a maximum 8,941,500 units at a price of \$0.12 per unit. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable to acquire one additional common share of the Company at an exercise price of \$0.20. The expiry dates for the warrants is July 7, 2012. During the second and third quarters of 2010 the Company issued 8,463,500 units at \$0.12 for total net proceeds of \$1,008,763. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable to acquire one additional common share of the Company at an exercise price of \$0.20. The expiry dates for the warrants is July 7, 2012. The Company issued 388,955 units as commission units at \$0.12 being the closing price on the date of issue. Each commission unit consisted of one common share of the Company and one common share purchase warrant. Each warrant will be exercisable to acquire one additional common share of the Company at an exercise price of \$0.20. The expiry dates for the warrants is July 7, 2012.

The Company recorded \$409,493 fair value for the 8,463,500 warrants issued during the second and third quarters of 2010 which was charged to contributed surplus with the offsetting amount reducing share capital

Between April 14, 2010 and May 26, 2010 357,500 warrants attached to the May 4, 2009 private placement were exercised at a price of \$0.15 for total proceeds of \$53,625.

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8. Shareholder's Equity - *continued*

a) Share Issuance - *continued*

On August 5, 2010 the Company completed a non-brokered private placement for 735,000 units at a price of \$0.12 per unit for total gross proceeds of \$88,200. Each unit consisted of one common share and one common share purchase warrant. Each warrant will be exercisable to acquire one common share of the Company at an exercise price of \$0.20 per share. The expiry date is August 6, 2012. The Company recorded \$32,145 fair value for the 735,000 warrants which was charged to contributed surplus with the offsetting amount reducing share capital.

On November 2, 2010 the Company completed the balance of a non-brokered private placement announced July 7, 2010 for 100,000 units at a price of \$0.12 per unit for total gross proceeds of \$12,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant will be exercisable to acquire one common share of the Company at an exercise price of \$0.20 per share. The expiry date is August 6, 2012. The Company recorded \$4,373 fair value for the 100,000 warrants which was charged to contributed surplus with the offsetting amount reducing share capital.

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8. Shareholder's Equity - continued

b) Share Purchase Warrants

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

December 31, 2009	Issued in the year	Exercised in the year	Expired in the year	December 31, 2010	Price	Expiry Date
4,927,592	-	-	-	4,927,592	\$0.45	August 14, 2013 *
39,750	-	-	39,750	-	-	February 14, 2010
572,408	-	-	-	572,408	\$0.45	September 5, 2013*
5,100,800	-	357,500	4,743,300	-	\$0.15	May 26, 2010
5,070,800	-	-	-	5,070,800	\$0.20	June 15, 2011
-	5,840,550	-	-	5,840,550	\$0.20	June 15, 2011
-	8,852,455	-	-	8,852,455	\$0.20	July 7, 2012
-	835,000	-	-	835,000	\$0.20	August 6, 2012
15,711,350	15,528,005	357,500	4,783,050	26,098,805	\$0.25	Weighted average price

* On January 29, 2010 the TSX Venture Exchange approved the extension of expiry dates on these warrants to August 14, 2013 and September 5, 2013.

Between April 14, 2010 and May 26, 2010 357,500 warrants attached to the May 2009 private placement were exercised at a price of \$0.15 for total proceeds of \$53,625.

*Expiry Date changes;

Private Placement	Warrants	Original Expiry	Revised Expiry	TSX Venture Approval
August 14, 2008	4,927,592	February 14, 2010	August 14, 2013	January 29, 2010
August 14, 2008	572,408	March 14, 2010	September 5, 2013	January 29, 2010

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8. Shareholder's Equity - continued

b) **Share Purchase Warrants - continued**

As at December 31, 2009 the following share purchase warrants were outstanding:

December 31, 2008	Issued in the year	Exercised in the year	Expired in the year	December 31, 2009	Price	Expiry Date
1,720,000	-	-	1,720,000	-	\$0.45	June 7, 2009 *
2,000,000	-	-	2,000,000	-	\$0.45	July 4, 2009 *
3,539,750	-	-	-	3,539,750	\$0.45	February 14, 2010
-	2,500,000	2,500,000	-	-	\$0.15	April 22, 2009
-	5,100,800	-	-	5,100,800	\$0.15	November 4, 2010
-	5,070,800	-	-	5,070,800	\$0.20	June 15, 2011
1,427,592	-	-	-	1,427,592	\$0.45	August 14, 2013**
572,408	-	-	-	572,408	\$0.45	September 5, 2013**
9,259,750	12,671,600	2,500,000	3,720,000	15,711,350	\$0.27	Weighted average price

The following assumptions were used for the Black-Scholes valuation of the warrants issued in 2010.

	2010	2009
Risk free interest rate	1.00%	0.50% - 1.65%
Expected life of warrants	2 years	1.5 years
Annualized volatility	139%	141% - 150%
Dividend rate	0.0%	0.0%

c) **Stock Options**

In August 2004 the Company adopted a Stock Option Plan (amended May 27, 2009) whereby the Company may grant stock options to officers, directors, consultants and eligible employees at an exercise price to be determined by the board of directors, provided the exercise price is not lower than the market price at the time of issue. The Plan provides for the issuance of up to 20% of the Company's issued common shares as at the date of shareholder approval with each stock option having a maximum term of five years. The board of directors has the exclusive authority over the granting of options.

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8. Shareholder's Equity - continued

c) **Stock Options - continued**

As of December 31, 2010 the Company had 12,515,000 incentive stock options outstanding as follows:

December 31, 2009	Granted in the year	Exercised in the year	Expired in the year	December 31, 2010	Price	Expiry Date
409,163	-	-	409,163	-	\$ 0.30	February 14, 2010
350,000	-	-	350,000	-	\$ 0.11	March 16, 2010
590,000	-	-	590,000	-	\$ 0.20	June 15, 2010
150,000	-	50,000	100,000	-	\$ 0.15	October 26, 2010
2,750,000	-	900,000	-	1,850,000	\$ 0.20	July 6, 2011
300,000	-	-	-	300,000	\$ 0.28	October 16, 2011
600,000	-	-	-	600,000	\$ 0.30	November 14, 2011
900,000	-	-	-	900,000	\$ 0.25	April 1, 2012
300,000	-	-	-	300,000	\$ 0.30	September 4, 2012
700,000	-	-	-	700,000	\$ 0.30	October 15, 2012
2,400,000	-	475,000	-	1,925,000	\$ 0.11	November 3, 2013
1,200,000	-	-	-	1,200,000	\$ 0.11	January 19, 2014
3,090,000	-	400,000	-	2,690,000	\$ 0.11	September 4, 2014
200,000	-	-	-	200,000	\$ 0.11	October 5, 2014
400,000	-	-	-	400,000	\$ 0.11	November 12, 2014
-	1,000,000	50,000	-	950,000	\$ 0.10	February 17, 2015
-	200,000	-	-	200,000	\$ 0.10	March 10, 2012
-	300,000	-	-	300,000	\$ 0.10	September 24, 2015
14,339,163	1,500,000	1,875,000	1,449,163	12,515,000	\$ 0.17	Weighted average price

All outstanding options 12,515,000 are fully vested.

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8. Shareholder's Equity - continued

c) **Stock Options – continued**

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following assumptions:

	2010	2009
Risk-free interest rate	.50%	.50% - 1.25%
Expected life of options	2 -5 years	5 years
Annualized volatility	131% - 141%	134% - 141%
Dividend Rate	0.00%	0.0%

Option and warrant fair value pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

During the current year, the Company recorded a stock based compensation fair value of \$223,896 (2009 - \$701,959). Out of this amount, \$199,772 (2009 - \$696,017) was expensed on the income statement, and \$24,125 (2009 – \$5,942) was capitalized as mineral interest costs.

As at December 31, 2010 the weighted average fair value of options granted during 2010 is \$0.11 per option. The weighted average exercise price of options vested as at December 31, 2010 is \$0.16.

9. Related Party Transactions

Except as disclosed elsewhere in these financial statements, related party transactions are as follows:

Details;	Paid or accrued to;	December 31, 2010	December 31, 2009
Management consulting and management fees	Companies with directors in common	\$ 75,650	\$ 177,617

As at December 31, 2010, \$22,500 (2009 - \$99,750) is payable to a company with a director in common for financial consulting and management services and is non-interest bearing. Receivables from related parties were \$5,000 (2009 – NIL).

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

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10. Supplemental Disclosure With Respect To Cash Flows

The significant non-cash transactions of the Company for the years ended December 31, 2010 and 2009 were as follows:

- a) Issued 600,000 common shares (2009 – 8,800,000) with a value of \$78,000 (2009 - \$1,300,000) pursuant to the acquisition of mineral properties.
- b) Issued 764,505 common shares (2009 – NIL) valued at \$87,985 (2009 - NIL) as agent finder's fees for private placements, which has been recorded as an increase in share capital and a offsetting charge against share capital issuance costs.
- c) Fair value 5,500,000 warrants attached to August 2008 private placement unit's expiry date was extended to August 14, 2013 valued at \$265,050 and recorded as an increase in contributed surplus and a charge against share capital.
- d) The second tranche of the November 2009 private placement was completed in January 2010. The fair value of the 5,465,000 warrants was valued at \$224,311 and recorded as an increase in contributed surplus and a charge against share capital.
- e) During the year 2010 the Company issued 15,528,005 warrants (2009 – 12,540,000) attached to 15,528,005 shares issued in private placements. These warrants were valued at \$670,322 (2009 - \$514,681) and recorded as an increase in contributed surplus and a charge against share capital.
- f) Expensed the fair value of stock options in the amount of \$199,772 (2009 - \$696,017) issued to an employee, officers and directors.
- g) Capitalized the fair value of stock options in the amount of \$24,125 (2009 – \$5,942) issued to an employee of Nortec Minerals Oy and Nortec Ecuador S.A. working on the LK mineral property in Finland and the Ganarin property in Ecuador.
- h) Reduced contributed surplus and increased share capital by \$233,345 (2009 - \$13,246), representing the fair value of options exercised during the year.
- i) Included in deferred mineral interest costs are accrued liabilities of \$137,273 (2009 - \$40,449).
- j) Included in current year deferred mineral interest costs is a change in deferred future income tax assets of \$Nil (2009 - NIL).

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11. Segmented Information

The Company's mineral properties are located in Canada, Ecuador and Finland. The properties and location are as follows:

Property	Location
TL Property	Canada
Ganarin Property	Ecuador
Kaukua Property	Finland
Tammela Property	Finland
Seinajoki Property	Finland
Kaatiala Property	Finland
Haukiahho Property	Finland

Geographic information for the year ended December 31, 2010 as follows:

	Canada	Ecuador	Finland	Total
Year ended December 31, 2010				
Net loss for the year	\$ 1,549,847	\$ 77,569	\$ 10,642	\$ 1,638,058
Mineral interests	\$ 2,744,280	\$ 1,425,740	\$ 5,312,351	\$ 9,482,371
Other assets	\$ 175,549	\$ 15,683	\$ 43,887	\$ 235,119
Total assets	\$ 2,919,829	\$ 1,441,423	\$ 5,356,238	\$ 9,717,490

Year ended December 31, 2009

Net loss for the year	\$ 2,825,468	\$ 88,939	\$ 324	\$ 2,914,732
Mineral interests	\$ 2,733,294	\$ 1,378,613	\$ 4,567,028	\$ 8,678,935
Other assets	\$ 171,977	\$ 13,044	\$ 247,086	\$ 432,107
Total assets	\$ 2,905,271	\$ 1,391,657	\$ 4,814,114	\$ 9,111,042

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12. Income Taxes

a) The Company's provision for income taxes differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates to the net loss as a result of the following:

	December 31, 2010	December 31, 2009
Loss before income taxes	\$ (1,638,058)	\$ (2,914,732)
Statutory tax rate	28.5%	30.0%
Provision for recovery of taxes at statutory rates	(466,846)	(874,419)
Tax benefit not recognized on current year losses	335,828	356,493
Non-deductible and other items for tax purposes	118,988	363,300
Expired losses	11,481	76,711
Other items	(4,170)	38,054
Differences in foreign tax rates	2,981	4,460
Change in tax rates	1,738	35,401
Future income tax recovery	\$ -	\$ -

b) The significant components of the future income tax assets and liabilities are as follows:

	December 31, 2010	December 31, 2009
Future income tax assets (liabilities)		
Non-capital loss carry forwards	\$ 1,060,502	\$ 751,762
Net capital loss carry forwards	128,656	128,656
Mineral interests – Canada, and other	222,693	252,249
Mineral interests – Ecuador	-	(7,770)
Mineral interest - Finland	-	-
Share issue costs	28,813	31,302
Other	30,216	25,016
Future income tax assets (liabilities)	1,470,880	1,181,215
Valuation allowance	(1,470,880)	(1,181,215)
Net future income tax assets (liabilities)	\$ -	\$ -

The Company has income tax loss carry forwards of approximately \$4,028,743 in Canada, which may be used to reduce future income taxes otherwise payable and expire from 2011 to 2030. The Company also has capital losses carried forward of \$1,029,245 in Canada which may be used by the Company to offset capital gains realized in Canada in the future and do not expire.

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13. Capital Disclosures

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits in North America, South America, and Europe.
- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.
- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

In the management of capital, the Company includes shareholders' equity and cash in the definition of capital. The Company is not exposed to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets, especially with respect to exploration results on properties in which the Company has an interest.

In order to facilitate the management of capital and development of its mineral properties, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur additional debt, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. The Company's investment policy is to hold cash in interest bearing accounts at a major Canadian banking institution to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. Notwithstanding the risks described in Note 1, the Company seeks to continue to raise funds, from time to time, to continue meeting its capital management objectives.

14. Subsequent Events

Subsequent to December 31, 2010 the Company has received \$1,366,185 from the exercise of 6,830,925 of the \$0.20 warrants and \$20,000 from the exercise of 100,000 \$0.20 options.
