



RUBICON MINERALS CORPORATION

Consolidated Financial Statements

(Stated in Canadian Dollars)

For the Year Ended December 31, 2010

RUBICON MINERALS CORPORATION

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of Rubicon Minerals Corporation is responsible for the integrity and fair presentation of the financial information contained in this annual report which has been approved by the Board of Directors. Where appropriate, the financial information, including financial statements, reflects amounts based on the best estimates and judgments of management. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reconciled to accounting principles generally accepted in the United States as set out in note 18. Financial information presented elsewhere in the annual report is consistent with that disclosed in the financial statements.

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee, which is composed entirely of independent directors. The Audit Committee meets periodically with management and the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders.

De Visser Gray LLP has audited our financial statements in accordance with generally accepted auditing standards in Canada and the Public Company Accounting Oversight Board (United States), and has expressed their opinion in the auditors' report.

"David Adamson"
David Adamson
President and Chief Executive Officer

"Robert Lewis"
Robert Lewis
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Shareholders of Rubicon Minerals Corporation

We have audited the accompanying consolidated financial statements of Rubicon Minerals Corporation and its subsidiaries ("the Company"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and deficit, comprehensive loss and cash flows for each of the years in the three-year period ended December 31, 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 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.

Auditors' 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 and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of 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. 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 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 Rubicon Minerals Corporation and its subsidiaries as at December 31, 2010 and 2009 and their financial performance and their cash flows for each of the years in the three-year period ended December 31, 2010 in accordance with Canadian generally accepted accounting principles.

Other

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 28, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.



INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

Vancouver, Canada
March 28, 2011

RUBICON MINERALS CORPORATION

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has a process in place to evaluate internal control over financial reporting based on the criteria established in *Internal Control - Integrated Framework*, by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, management has concluded that internal control over financial reporting was effective as of December 31, 2010. De Visser Gray LLP, a firm of independent registered chartered accountants, appointed by the shareholders, have performed an audit on the effectiveness of our internal controls over financial reporting, as of December 31, 2010 and their report is attached.

“David Adamson”
David Adamson
President and Chief Executive Officer

“Robert Lewis”
Robert Lewis
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of Rubicon Minerals Corporation

We have audited the internal control over financial reporting of Rubicon Minerals Corporation (the "Company") as of December 31, 2010, based on the criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2010 of the Company and our report dated March 28, 2011 expressed an unqualified opinion on those financial statements.



INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

Vancouver, Canada
March 28, 2011

RUBICON MINERALS CORPORATION

Consolidated Balance Sheets

(Stated in Canadian Dollars)

	As at December 31	
	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 11,967,867	\$ 2,377,399
Temporary investments (note 6)	52,413,576	125,418,231
Marketable securities (note 7)	68,408	66,532
Amounts receivable	2,111,463	1,108,511
Prepaid expenses and supplier advances	289,967	333,343
	66,851,281	129,304,016
Other investments (note 8)	1,248,472	1,127,819
Buildings and equipment (note 9)	5,031,532	987,245
Mineral property costs (note 10)	154,293,692	114,209,833
Reclamation deposits (note 11)	498,000	498,000
	\$ 227,922,977	\$ 246,126,913
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,992,024	\$ 4,038,999
Corporate income tax payable (note 14)	7,150	-
	6,999,174	4,038,999
Long term liabilities		
Asset retirement obligations (note 11)	124,007	-
Future income taxes (note 14)	5,136,033	13,391,328
	5,260,040	13,391,328
Shareholders' equity		
Share capital (note 12(a))	248,482,600	246,391,590
Contributed surplus (note 12(c))	13,796,704	5,750,527
Deficit	(46,709,395)	(22,659,689)
Accumulated other comprehensive income (loss) (note 13)	93,854	(785,842)
	215,663,763	228,696,586
	\$ 227,922,977	\$ 246,126,913

See accompanying notes to the consolidated financial statements

Commitments (Note 16)

Approved by the Board of Directors:

"David Adamson"

David Adamson, Director

"Julian Kemp"

Julian Kemp, CA, Director

RUBICON MINERALS CORPORATION

Consolidated Statements of Operations and Deficit

(Stated in Canadian Dollars)

	For the years ended December 31		
	2010	2009	2008
Expenses			
Amortization	\$ 22,698	\$ 64,878	\$ 70,391
Consulting	543,178	9,207	74,259
General mineral exploration	144,006	212,265	232,932
Insurance	510,962	176,657	104,262
Investor relations	860,454	657,820	630,626
Office and rent	245,950	177,769	151,433
Part XII.6 tax on flow-through	(404)	26,102	159,279
Professional fees	535,447	211,488	200,085
Salaries	2,605,941	1,231,694	944,150
Stock-based compensation (note 12(b))	5,585,969	1,638,405	659,806
Transfer agent and regulatory filing fees	205,857	150,899	121,161
Travel and accommodation	358,060	136,026	138,534
Loss before other items	(11,618,118)	(4,693,210)	(3,486,918)
Write-off of mineral property costs	(21,163,834)	-	-
Foreign exchange gains (losses)	727,701	2,132,034	(2,894,204)
Interest and other income	463,583	214,243	732,798
Option and administration fees received in excess of property costs	505,865	249,070	578,664
Loss on sale of investments	(366,418)	(96,721)	(222,491)
Other (losses) gains	(114,449)	566	(357,343)
Loss on disposal of equipment	-	(4,024)	(4,475)
Loss before income taxes	(31,565,670)	(2,198,042)	(5,653,969)
Current income tax expense	(14,751)	(3,902)	(22,603)
Future income tax recovery (note 14)	7,530,715	1,645,615	3,276,809
Net loss for the year	(24,049,706)	(556,329)	(2,399,763)
Deficit, beginning of the year	(22,659,689)	(22,103,360)	(19,703,597)
Deficit, end of the year	\$ (46,709,395)	\$ (22,659,689)	\$ (22,103,360)
Basic and diluted loss per common share	\$ (0.11)	\$ (0.00)	\$ (0.02)
Weighted average number of common shares outstanding	213,523,163	186,958,831	148,878,778

See accompanying notes to the consolidated financial statements

RUBICON MINERALS CORPORATION

Consolidated Statements of Comprehensive Loss

(Stated in Canadian Dollars)

	For the years ended December 31		
	2010	2009	2008
Net loss for the year	\$ (24,049,706)	\$ (556,329)	\$ (2,399,763)
Other comprehensive income (loss) in the year			
Fair value adjustments on available for sale financial instruments:			
Temporary investments	28,761	(75,432)	25,021
Marketable securities and other investments	370,068	522,010	(2,407,906)
Realized losses on marketable securities and other investments reclassified to net income	366,418	96,721	222,491
Impairment losses on marketable securities and other investments reclassified to net income	114,449	-	281,647
	850,935	618,731	(1,903,768)
Other comprehensive income (loss) in the year	879,696	543,299	(1,878,747)
Comprehensive loss for the year	(23,170,010)	(13,030)	(4,278,510)
Accumulated comprehensive loss, beginning of the year	(23,445,531)	(23,432,501)	(19,153,991)
Accumulated comprehensive loss, end of the year	\$ (46,615,541)	\$ (23,445,531)	\$ (23,432,501)

See accompanying notes to the consolidated financial statements

RUBICON MINERALS CORPORATION

Consolidated Statements of Cash Flows

(Stated in Canadian Dollars)

	For the years ended December 31		
	2010	2009	2008
Cash Provided by (Used for):			
Operating Activities			
Net loss for the year	\$ (24,049,706)	\$ (556,329)	\$ (2,399,763)
Adjustment for items which do not involve cash:			
Amortization	22,698	64,878	70,391
Stock-based compensation	5,585,969	1,638,405	659,806
Write-off of mineral property costs	21,163,835	-	-
Loss on sale of investments	366,418	96,155	222,491
Foreign exchange (gains) losses	(724,580)	(2,132,034)	2,894,204
Other losses	114,449	4,024	342,788
Option receipt in excess of property costs	(201,181)	(109,813)	-
Interest and other income	166,981	64,639	43,458
Future income tax recovery	(7,530,715)	(1,645,615)	(3,276,809)
	(5,085,832)	(2,575,690)	(1,443,434)
Changes in non-cash working capital components:			
Prepaid expenses	43,376	(223,586)	(66,259)
Amounts receivable	(1,002,952)	(937,451)	454,865
Accounts payable and accrued liabilities	1,632,855	640,418	(147,039)
Corporate income taxes payable	7,150	(22,603)	(51,397)
	(4,405,403)	(3,118,912)	(1,253,264)
Investing Activities*			
Temporary investments	72,866,435	(121,546,149)	11,052,489
Mineral property costs	(56,444,420)	(27,611,890)	(16,893,521)
Reclamation deposits	-	(493,000)	-
Recovery of property costs incurred	27,188	137,683	1,392,438
Management and administration fees received	-	-	7,193
Purchase of equipment	(3,834,993)	(960,010)	(94,195)
Proceeds of sale of investments	463,580	163,813	193,060
	13,077,790	(150,309,553)	(4,342,536)
Financing Activities*			
Common shares issued	933,960	144,544,906	10,298,529
Share issue costs	(15,879)	(7,492,791)	(740,289)
	918,081	137,052,115	9,558,240
Increase (decrease) in cash and cash equivalents	9,590,468	(16,376,350)	3,962,440
Cash and cash equivalents, beginning of the year	2,377,399	18,753,749	14,791,309
Cash and cash equivalents, end of the year	\$ 11,967,867	\$ 2,377,399	\$ 18,753,749

*Supplemental Disclosure of Non-Cash Investing and Financing Activities – Refer to Note 17.
See accompanying notes to the consolidated financial statements

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

(Stated in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated in British Columbia, Canada and has been primarily involved in the acquisition and exploration of mineral property interests in Canada and the United States.

At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties. The ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property.

Although the Company is unaware of any defects in its title to its mineral properties, no guarantee can be made that none exist.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise financing and to commence profitable operations in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Consolidation

These consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. As described in note 18, these principles differ in certain respects from principles and practices generally accepted in the United States ("US") and requirements promulgated by the Securities and Exchange Commission. Summarized below are those policies considered particularly significant to the Company. References to the Company included herein are inclusive of the accounts of the parent company and its 100% owned subsidiaries, 1304850 Ontario Inc., 0691403 BC Ltd., Rubicon Alaska Holdings Inc., Rubicon Alaska Corp., Rubicon Minerals Nevada Inc. and Rubicon Nevada Corp. All inter-company balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. Actual results could differ from those estimates.

The Company's investments in marketable securities are items that, due to expected market volume and price fluctuations, may yield net realizable values that are materially different from their current book values at any point in time. Other items involving substantial measurement uncertainty are the carrying costs of mineral property interests, asset rehabilitation obligations, the determination of stock-based compensation and the determination of future income tax liabilities and valuation allowances.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and short-term notes and bank deposits with an original maturity of three months or less or deposits that are cashable on demand at the Company's option. Cash and cash equivalents are designated as available for sale and are carried at fair value.

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

(Stated in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Marketable Securities

Marketable securities include the Company's investments in shares of public companies, for which there is no intention to hold for periods of longer than one year. These investments have been categorized as available for sale financial instruments and are carried at fair value. Adjustments to fair value are recorded in other comprehensive income unless there is a loss in value that is other than temporary, in which case the adjustment to fair value is included in income and not reversed on future fair value changes.

Investments

The Company's investments consist of public company shares that have been categorized as available for sale financial instruments, are carried at fair value, and are considered non-current assets as the Company intends to hold them for a period of greater than one year. Adjustments to fair value are recorded in other comprehensive income unless there is a loss in value that is other than temporary, in which case the adjustment to fair value is included in income and not reversed on future fair value changes.

Buildings and Equipment

Buildings and equipment are recorded and amortized over their estimated useful economic lives using the declining balance method at annual rates of between 5% and 50% and straight line over the remaining period of the lease for leasehold improvements.

Mineral Property Costs

Acquisition, option payments and direct exploration costs are deferred until the properties are placed into production, sold or abandoned, at which time these deferred costs will either be amortized on a unit-of-production basis, charged to operations if sold, or written-off.

Mineral property cost includes any cash consideration and advance royalties paid, and the fair market value of shares issued, if any, on the acquisition of mineral 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 claim acquisition, option payments and direct 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 and annual basis for 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 may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Administration and management fees earned associated with exploration on certain properties, are offset against the historical costs deferred on those properties. Administrative costs are expensed as incurred. Fees earned in excess of deferred costs are recorded into income.

Reclamation Deposits

The Company maintains cash deposits, or letters of credit secured by cash deposits, as required by regulatory bodies as assurance for the funding of reclamation costs. These funds are restricted to that purpose and are not available to the Company until the reclamation obligations have been fulfilled. Reclamation deposits are designated as available for sale, are recorded at fair value and are classified as non-current assets.

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

(Stated in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized on a discounted 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 period-to-period 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.

Foreign Currency Translation

The Canadian dollar is the functional currency of all of the Company's operations which are classified as integrated for foreign currency translation purposes, and under this method translation gains or losses are included in the determination of net income or loss. Monetary assets and liabilities have been translated into Canadian dollars at the exchange rate in effect at balance sheet date. Non-monetary assets, liabilities, revenues and expenses have been translated into Canadian dollars at the rate of exchange prevailing on the respective dates.

Comprehensive Income

Comprehensive income is the change in equity (net assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The statement of comprehensive income or loss includes unrealized gains and losses for classifications of financial instruments, that do not require such gains and losses to be included in net income.

Financial Instruments

The Company's financial instruments consist of cash, cash equivalents, temporary investments, marketable securities, amounts receivable, other investments, reclamation deposits and accounts payable and accrued liabilities.

Cash, cash equivalents, temporary investments, marketable securities, other investments and reclamation deposits have been classified as available-for-sale and are re-valued to market at each period end. Unrealized gains and losses on re-valuation are recorded to other comprehensive income. Upon realization, gains and losses are transferred to income.

Amounts receivable, are classified as loans and receivables and are carried at amortized cost. Accounts payable and accrued liabilities are classified as other liabilities and are carried at amortized cost. These instruments have fair values which approximate their cost due to their short-term nature.

Equity accounted investments are not considered to be financial instruments.

Disclosures require fair market value measurements for financial instruments and liquidity risk disclosures. As a result a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements is disclosed. See note 5.

Share Capital

Common shares issued for non-monetary consideration are recorded at the fair market value based upon the trading price of the Company's shares on the Toronto Stock Exchange on the date of the agreement to issue the shares.

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

(Stated in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Stock-based Compensation

All stock and stock option based awards made to employees and consultants are recognized in these consolidated financial statements and measured using a fair value based method. The associated compensation expense is allocated to operations or capitalized to mineral property costs, depending on the nature of the services performed.

Consideration received on the exercise of stock options and compensation options and warrants is recorded as share capital. The related contributed surplus originally recognized when the options or warrants were earned, is transferred to share capital.

Income Taxes

The Company uses the liability method of accounting for taxes. Under this method the Company accounts for tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. The Company has taken a valuation allowance against all such potential tax assets.

Flow-through Shares

The Company follows the guidance of the CICA provided in Abstract #146 issued by its Emerging Issues Committee. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the related resource expenditures. On the date that the Company files the renouncement documentation with the tax authorities to renounce the tax credits associated with the exploration expenditures and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and shareholders' equity is reduced.

If the Company has sufficient unused tax loss carry-forwards to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these carry-forwards, a portion, of such unrecognized losses, is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

Net income (loss) per common share

Net income (loss) per common share has been calculated using the weighted-average number of common shares outstanding during each year. The dilutive effect of outstanding options and warrants are reflected in fully diluted net income (loss) per share by the application of the treasury method which assumes conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on net income (loss) per share. The effect of potential issuances of shares under options and warrants would be anti-dilutive if a loss is reported, and therefore basic and diluted losses per share are the same.

Comparative Figures

Certain of the 2009 figures have been reclassified to conform to the current year financial statement presentation.

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

(Stated in Canadian Dollars)

3. CHANGES IN ACCOUNTING POLICIES

Canadian Pronouncements affecting Future Accounting Policies

The following pronouncements recently issued by the Canadian Institute of Chartered Accountants (“CICA”) will likely impact the Company’s future accounting policies:

International Financial Reporting Standards (“IFRS”)

In February 2008 the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canadian generally accepted accounting principles. 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 January 1, 2010 will require restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company expects the transition to IFRS to impact accounting policies, financial reporting and other financial processes.

4. CAPITAL MANAGEMENT

The Company’s objectives for the management of capital are to safeguard the Company’s ability to continue as a going concern including the preservation of capital and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its cash, cash equivalents, and temporary investments to be its manageable capital. The Company’s policy is to raise sufficient cash, as needs arise, to cover operating and exploration costs over a reasonable future period, generally two years. The Company accesses capital markets as necessary and may also acquire additional funds where advantageous circumstances arise.

Excess cash investments are restricted to securities issued by the federal or provincial governments of Canada. The Company currently has no externally imposed capital requirements.

5. FINANCIAL INSTRUMENTS

Fair value hierarchy

Financial instruments recognized at fair value on the consolidated balance sheets must be classified into one of the three following fair value hierarchy levels:

Level 1 – measurement based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

Level 2 – measurement based on inputs other than quoted prices included in Level 1, that are observable for the asset or liability;

Level 3 – measurement based on inputs that are not observable (supported by little or no market activity) for the asset or liability.

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

(Stated in Canadian Dollars)

5. FINANCIAL INSTRUMENTS (continued)

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	2010		2009	
		Available for sale at fair value	Loans and receivables/ other financial liabilities at amortized cost	Available for sale at fair value	Loans and receivables/ other financial liabilities at amortized cost
		\$	\$	\$	\$
Financial assets:					
Cash and cash equivalents	1	11,697,867	-	2,377,399	-
Temporary investments	1	52,413,576	-	125,418,231	-
Marketable securities	1	68,408	-	66,532	-
Amounts receivable			2,111,463	-	1,108,510
Other investments	1	1,248,472	-	1,127,819	-
Reclamation deposits	2	498,000	-	498,000	-
		65,926,323	2,111,463	129,487,981	1,108,510
Financial liabilities:					
Accounts payable and accrued liabilities		-	6,992,024	-	4,038,999
		-	6,992,024	-	4,038,999

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 non-payment of cash equivalents and temporary investments amounting to \$54.3 million at December 31, 2010, in Canadian federal government treasury bills. As the Company's policy is to limit excess cash investments to Canadian federal and provincial government instruments, the credit risk is considered by management to be negligible.

The Company's credit risk exposure from amounts receivable at December 31, 2010, amounted to \$2,111,463. This balance includes amounts due and accrued from the Canadian government of \$2,060,713 for HST refunds and \$50,750 of miscellaneous receivable items. Consequently, management considers this credit risk to be negligible.

Liquidity Risk

The Company's only liquidity risk from financial instruments is its need to meet operating accounts payable requirements. The Company maintains sufficient cash balances to meet these needs.

Foreign Exchange Risk

Due to the Company's minimal activity on its US mineral properties in the current year, foreign exchange risk relates only to the revaluation of US based tax liabilities.

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

(Stated in Canadian Dollars)

5. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

The Company is exposed to interest rate risk on its cash equivalent and temporary investments. The majority of these investments are in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments between maturities so the Company manages maturity dates of these instruments to match cash flow needs. Given maturity dates are short term in nature gains or losses on these investments are expected to be minimal. Unrealized gains and losses are reported in other comprehensive income.

A difference in interest rates of 1.0%, on the December 31, 2010 balance of cash and temporary investments, over a year period, would result in a change to net income of approximately \$641,000.

Price Risk

The Company is exposed to price risk on its portfolio of junior mining company shares which include investments in shares received from the spin out of assets previously held by the Company. Due to the volatility of this class of shares, there is a risk that the values of these investments could change. The Company's policy to manage this risk is to liquidate sufficient shareholdings to cover cost outlays as soon as possible, market conditions permitting and thereafter liquidate the balance when market conditions are favourable. Unrealized gains and losses are reported in other comprehensive income.

The Company's "Investment in Companies Spun Off" (note 8) consists of the right to receive the proceeds on exercise of Africo Resources Ltd. options granted to Rubicon personnel at the December 2006 plan of arrangement. Where these options expire or are forfeited, Rubicon will receive the underlying Africo shares at no cost. As such, this investment is exposed to the same price risk as an investment in Africo shares would. However, the maximum value to be received per option is the exercise price. No early liquidation of this asset is possible. Unrealized gains and losses on the Africo share value portion are reported in other comprehensive income.

Management considers the historical volatility of shares held to be an indicator of a reasonably possible change in value. If the market prices for all shares held by the Company and the Africo shares underlying the Africo share rights, as described above, at period end, had increased or decreased by the weighted average volatility of 107% annually, then there would have been an increase or decrease in other comprehensive income of approximately \$1.4 million.

6. TEMPORARY INVESTMENTS

Temporary investments consists of Government of Canada T-Bills maturing at various dates in 2011, with an aggregate carrying value and fair value of \$52,413,576 at December 31, 2010 (\$125,418,231 – December 31, 2009) and effective interest rates ranging from 0.57% to 0.92%. Market value is determined from broker quotations.

7. MARKETABLE SECURITIES

Marketable securities consist of investments in public company shares and have an aggregate carrying value and fair value of \$68,408 (2009 - \$66,532) at year end. Market values were based on quoted prices in an active market.

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

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8. OTHER INVESTMENTS

	2010		2009	
	Carrying and Market Value		Carrying and Market Value	
Investments in companies spun-off ⁽¹⁾	\$	2,311	\$	168,694
Investments in other public company shares ⁽²⁾		1,246,161		959,125
	\$	1,248,472	\$	1,127,819

⁽¹⁾ Investment in companies spun-off consists of the net value of rights and obligations outstanding from options issued or revised at the December 2006 plan of arrangement. The December 31, 2010, carrying value and fair value of \$2,311 is attributable to the right to receive the proceeds from any exercise of Africo options or the underlying Africo shares.

⁽²⁾ Other investments in public company shares have aggregate carrying and fair value of \$1,246,161 at December 31, 2010. Fair values were based on quoted prices in an active market. These shares were received as payments pursuant to mineral property option agreements and pursuant to prior year spin-out transactions.

9. BUILDINGS AND EQUIPMENT

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Assets under construction	\$ 2,750,427	\$ -	\$ 2,750,427	\$ -	\$ -	\$ -
Computer equipment	252,715	127,356	125,359	204,193	84,132	120,061
Furniture and fixtures	167,592	91,783	75,809	164,569	73,267	91,302
Software	280,650	173,608	107,042	191,757	111,012	80,745
Leasehold improvements	12,291	10,140	2,151	12,291	9,218	3,073
Field equipment	1,347,978	183,455	1,164,523	263,219	27,920	235,299
Trucks	187,959	46,161	141,798	70,459	10,569	59,890
Buildings	714,284	49,861	664,423	411,352	14,477	396,875
	\$ 5,713,896	\$ 682,364	\$ 5,031,532	\$ 1,317,840	\$ 330,595	\$ 987,245

10. MINERAL PROPERTY INTERESTS

Expenditures on the Company's mineral properties are summarized as follows:

	Balance December 31 2008	Gross Expenditures 2009	Recoveries 2009	Balance December 31 2009	Gross Expenditures 2010	Recoveries and Write- Offs 2010	Balance December 31 2010
CANADA							
ONTARIO							
RED LAKE MINING DIVISION							
Phoenix Gold Project							
Acquisition and option payments	\$ 4,055,284	\$ 561,229	\$ -	\$ 4,616,513	\$ 412,417	\$ -	\$ 5,028,930
Exploration costs:							
Geological and geochemical	2,164,953	1,299,196	-	3,464,149	3,281,788	-	6,745,937
Surface drilling	19,314,229	10,815,628	-	30,129,857	11,560,136	-	41,689,993
Geophysical	456,262	57,435	-	513,697	104,900	-	618,597
Travel and accommodation	305,140	97,632	-	402,772	95,847	-	498,619
Other	109,735	622,979	-	732,714	2,364,741	-	3,097,455
Underground exploration	734,849	16,966,760	-	17,701,609	40,048,462	-	57,750,071
Amortization	-	80,979	-	80,979	329,170	-	410,149
Asset rehabilitation obligation	-	-	-	-	124,007	-	124,007
	27,140,452	30,501,838	-	57,642,290	58,321,468	-	115,963,758

RUBICON MINERALS CORPORATION

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10. MINERAL PROPERTY INTERESTS (continued)

	Balance December 31 2008	Gross Expenditures 2009	Recoveries 2009	Balance December 31 2009	Gross Expenditures 2010	Recoveries and Write- Offs 2010	Balance December 31 2010
Other Red Lake Properties							
Acquisition and option payments	\$ 610,068	\$ 166,844	\$ (120,282)	\$ 656,630	\$ 321,743	\$ (14,621)	\$ 963,752
Exploration costs:							
Geological and geochemical	1,873,454	-	-	1,873,454	92,711	-	1,966,165
Surface drilling	4,090,189	51,204	-	4,141,393	1,267,352	-	5,408,745
Geophysical	361,650	165,862	-	527,512	573,093	(27,190)	1,073,415
Travel and accommodation	157,784	-	-	157,784	7,634	-	165,418
Other	75,800	1,258	-	77,058	9,110	-	86,168
Administration fees (earned)	(724,425)	-	-	(724,425)	-	-	(724,425)
	6,444,520	385,168	(120,282)	6,709,406	2,271,643	(41,811)	8,939,238
UNITED STATES OF AMERICA							
ALASKA							
Alaska Properties							
Acquisition and option payments	37,200,284	-	-	37,200,284	-	(17,836,488)	19,363,796
Exploration costs:							
Geological and geochemical	1,814,908	38,155	-	1,853,063	16,085	(962,447)	906,701
Surface drilling	2,371,509	-	-	2,371,509	-	(1,354,383)	1,017,126
Travel and accommodation	26,230	-	-	26,230	-	(9,374)	16,856
Claim rental	825,255	425,168	-	1,250,423	659,549	(1,001,142)	908,830
	42,238,186	463,323	-	42,701,509	675,634	(21,163,834)	22,213,309
NEVADA							
Nevada Properties							
Acquisition and option payments	6,177,535	-	-	6,177,535	-	-	6,177,535
Exploration costs:							
Geological and geochemical	296,977	110,444	-	407,421	20,759	-	428,180
Geophysics	562,658	7,269	-	569,927	-	-	569,927
Other	1,745	-	-	1,745	-	-	1,745
	7,038,915	117,713	-	7,156,628	20,759	-	7,177,387
Mineral Property Costs	\$ 82,862,073	\$ 31,468,042	\$ (120,282)	\$ 114,209,833	\$ 61,289,504	\$ (21,205,645)	\$ 154,293,692

Mineral Property Costs Written-off

The composition of the write-off figures by property classification is as follows:

	2008	2009	2010
Alaska properties written off	\$ -	\$ -	\$ 21,163,834
Aggregate cost recoveries and administration fees received	527,747	120,282	41,811
Total write-offs and recoveries	\$ 527,747	\$ 120,282	\$ 21,205,645

RUBICON MINERALS CORPORATION

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10. MINERAL PROPERTY INTERESTS *(continued)*

CANADA

ONTARIO

RED LAKE MINING DIVISION

Phoenix Gold Project

The Company holds a 100% interest in the Phoenix Gold Project consisting of 16 patented mining claims, 25 licences of occupation, 1 mineral lease and 1 unpatented mining claim.

(i) Water Claims Agreement

The Company holds a 100% interest in the “Water Claims” portion of the Phoenix Gold Project (25 licences of occupation and one mineral lease). These claims are subject to a NSR royalty of 2%, for which advance royalties of US\$50,000 are due annually (to a maximum of US\$1,000,000 prior to commercial production). To December 31, 2010 the Company has paid US \$400,000 with respect to the Water Claims advance royalties.

The Company has the option to acquire a 0.5% NSR royalty for US\$675,000 at any time, and has a right of first refusal on the remaining NSR. Upon a positive production decision the Company would be required to make an additional advance royalty payment of US\$675,000, which would be deductible from commercial production royalties as well as amounts paid pursuant to the maximum US\$1,000,000 in advance royalty payments described above.

(ii) Land Claims Agreement

The Company holds a 100% interest in the “Land Claims” portion of the Phoenix Gold Project (16 patented mining claims). These claims are subject to a sliding scale NSR royalty of 2-3%, for which advance royalties of Cdn\$75,000 are due annually (to a maximum of Cdn\$1,500,000 prior to commercial production). The Company has the option to acquire a 0.5% NSR royalty for Cdn\$1,000,000 at any time and has a right of first refusal on the remaining NSR. Upon a positive production decision the Company would be required to make an additional advance royalty payment of Cdn\$1,000,000, which would be deductible from commercial production royalties as well as amounts paid pursuant to the maximum Cdn\$1,500,000 in advance royalty payments described above. To December 31, 2010 the Company has paid Cdn \$600,000 with respect to the Land Claims advance royalties.

The Company holds a 100% interest in the surface rights to the Land Claims.

(iii) Unpatented Claim

The Company controls a 100% interest in one staked claim (one unit).

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

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(Stated in Canadian Dollars)

10. MINERAL PROPERTY INTERESTS (continued)

Other Red Lake Properties

The Company's Other Red Lake Properties are as follows:

Property	Interest	Description	Location in Ontario
Adams Lake	100%	35 unpatented mining claims	Balmer and Bateman townships
Advance	100%	13 patented mining claims	Todd township
DMC	100%	130 unpatented mining claims	Dome, McDonough, Bateman and Fairlie townships
East Bay	100%	43 unpatented mining claims	Bateman and Blackbear townships
Humlin Property	100%	31 unpatented mining claims	Fairlie township
McCuaig Joint Venture	60%	3 unpatented mining claims	Dome township
Red Lake North	100%	48 unpatented mining claims	Bateman, Black Bear Lake, McDonough and Coli Lake townships
Slate Bay	100%	30 unpatented mining claims	McDonough, Dome and Graves townships
Westend	50 to 100%	23 unpatented claims	Ball, Todd and Hammell Lake townships
Wolf Bay	50 to 100%	23 unpatented mining claims	Todd and Hammell Lake townships

Red Lake North Property - Option Agreement with Solitaire Minerals Corporation ("Solitaire")

Pursuant to an option agreement signed during 2006 and amended during 2009, the Company optioned a 55% interest in 48 unpatented mining claims from the Red Lake North Property to Solitaire. Pursuant to the terms of the agreement Solitaire has paid \$5,000 cash and issued 50,000 common shares and must incur \$2,500,000 (\$751,000 outstanding) of exploration expenditures before July 1, 2011.

Westend Property - Option Agreement with Halo Resources Ltd. ("Halo")

During 2008, the Company optioned a 60% interest in the Westend Property to Halo. This agreement was terminated in 2010.

English Royalty Division ("ERD")

The Company holds ownership or royalty interests in a number of properties designated as the English Royalty Division. These properties, included in the ERD, are not explored by the Company but are held for the purpose of earning option and possible royalty income and deriving potential increases in value from successful exploration by optionees. The Company continues to add properties to the ERD with new option agreements and drop properties that it is unable to option after reasonable efforts.

During 2010, the Company recorded cash and share receipts (before costs) of \$683,580 (2009 - \$195,434, 2008 - \$712,523) from ERD options.

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

(Stated in Canadian Dollars)

10. MINERAL PROPERTY INTERESTS (continued)

USA Properties

The Company's properties in the USA are as follows:

Property	Interest	Description	Location
New Horizon, Alaska	100%	Approximately 195,280 acres (79,027 hectares)	Goodpaster Mining District
Nevada – Utah	Majority 100% owned	Approximately 225,000 acres (91,054 hectares)	Elko County, Nevada and Box Elder County, Utah

Kiska (formerly Rimfire) Option

During the year, the Company held an option granted by Kiska Metals Corporation (“Kiska”, formerly Rimfire Minerals Corporation) to acquire up to a 70% interest, in certain mineral claims, in the Goodpaster Mining District of Alaska. Pursuant to the terms of this option agreement, the Company was required to expend a further US \$1.1 million before November 2012 to earn an initial 60% interest.

On February 28, 2011, the Company gave notice to Kiska that it was terminating the option effective March 30, 2011 and as a result determined that as of December 31, 2010 an impairment of the mineral property costs had occurred and as a result took a full property write-off of \$21,163,835, in relation to the Kiska claims.

11. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations consist of reclamation and closure costs for its Phoenix Gold project which is currently at the advanced exploration stage. Reclamation and closure activities related to this project will include land rehabilitation, demolition of buildings and processing facilities, ongoing care and maintenance and other costs. In February of 2009, the Company filed a Closure Plan with the Ontario Ministry of Northern Development, Mines and Forestry (“MNDMF”) which included an independent estimation of closure costs, if currently implemented, which amounted to \$493,000. Upon filing the closure plan, a deposit in the same amount was made with the MNDMF as financial assurance for completion of the closure plan when required. Additional deposits will be required if closure amount estimates increase. An additional \$5,000 deposit has been made to a financial institution as security for the reclamation of an historical British Columbia exploration project.

The estimated closure costs of the Phoenix Gold project based on the current condition of the site were inflation adjusted to the estimated date of site remediation, which is 25 years from December 31, 2010, and then discounted back to the year end using an estimate of the Company's credit adjusted risk free rate of 8%. The current value of the future liability, amounting to \$124,007 (2009 - \$nil), was recognized at year end with an offsetting amount added to mineral property costs.

Subsequent to the year-end, an additional \$955,360 was deposited with the MNDMF as financial assurance for a revised closure plan filed in February 2011. The \$955,360 payment related to assurance given for future activities expected to cause the need for remediation at the Company's Phoenix Gold project and as such, no further amount was recorded in the year.

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Notes to the Consolidated Financial Statements

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(Stated in Canadian Dollars)

12. SHARE CAPITAL

(a) Authorized share capital consists of unlimited common shares without par value.

Issued share capital consists of the following:

	2010		2009		2008	
	Number of Shares	\$	Number of Shares	\$	Number of Shares	\$
Balance, beginning of year	213,218,014	246,391,590	156,151,871	109,912,429	147,871,501	103,572,229
Public offerings	-	(15,879)	18,975,000	81,398,435	-	-
Private placements	-	-	25,000,000	37,445,025	8,166,670	9,460,640
Stock options exercised ⁽¹⁾	931,000	1,477,750	2,408,300	3,255,186	113,700	155,349
Consideration for property acquisition	54,054	215,135	10,682,843	16,024,265	-	-
Consideration issued to satisfy first nations benefit agreement obligations	91,606	414,004	-	-	-	-
Flow-through renunciation	-	-	-	(1,643,750)	-	(3,275,789)
Balance, end of year	214,294,674	248,482,600	213,218,014	246,391,590	156,151,871	109,912,429

(1) Inclusive of the original \$543,790 (2009 - \$1,070,796, 2008 - \$57,750) fair value of these options re-allocated from contributed surplus to share capital on exercise.

(b) Stock Options

The Company has an incentive stock option plan that, as of May 14, 2010, required the approval of shareholders for any new grants. The plan authorizes the Company to issue up to 8.5% of the number of issued and outstanding shares as incentive stock options to directors, officers, employees and consultants of the Company. Pursuant to Toronto Stock Exchange rules, a stock option plan must be approved by the shareholders when adopted and thereafter any unallocated options under the plan must be approved by the shareholders every three years. The Company's unallocated options under the plan have not been renewed to date. As a result, while the Company may continue to grant options under the stock option plan, no options granted after May 14, 2010 may be exercised until shareholder approval has been received for such grants.

Under the plan, there are no required vesting terms for options. The term of each grant shall be no greater than 10 years from the date of grant. The option price shall be no less than the fair market value of the Company's shares on the date of the grant.

On May 31, 2010 and August 9, 2010 the Company conditionally granted 200,000 and 90,000 options respectively at exercise prices of \$3.63 and \$3.88. As these grants have not been approved by the shareholders, these options are not exercisable and as a result, are not considered issued. In recognition of the fact such options are not exercisable, the Company has agreed that if these options are not approved by the shareholders before vesting, the options will be cancelled and an equal number of stock appreciation rights will be granted which, if exercised, will be settled in cash. The amount of cash payable under such stock appreciation rights will be an amount that will achieve the same after tax receipt of funds as the exercise of an equivalent number of stock options, followed by an immediate sale of the stock. On December 6, 100,000 of the stock appreciation rights granted on May 31, 2010 were exercised resulting in a cash expense of \$300,299 to the Company, which has been charged to salaries in the current year.

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

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(Stated in Canadian Dollars)

12. SHARE CAPITAL (continued)

As the stock appreciation rights require no further shareholder or director approval they are considered granted as of the date of option grant. As of December 31, 2010, the Company has recorded an additional \$172,236 as a charge to income and \$133,887 as an addition to mineral properties in relation to the unexercised rights. If the Company's shareholders approve the grant of these stock options within the specified period, then this charge will be reversed and a stock based compensation charge related to incentive stock options will be recorded.

The following is a summary of the changes in the Company's outstanding stock options:

	2010		2009		2008	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
		\$		\$		\$
Balance at beginning of year	5,755,000	1.46	4,733,300	0.93	3,328,250	0.87
Granted	3,059,000	5.02	3,485,000	1.80	1,617,500	1.03
Exercised	(931,000)	1.00	(2,408,300)	0.91	(113,700)	0.86
Expired/cancelled	(305,000)	4.81	(55,000)	1.31	(98,750)	1.10
Outstanding at end of year ⁽¹⁾	7,578,000	2.82	5,755,000	1.46	4,733,300	0.93
Exercisable at end of year	6,281,000	2.37	3,792,500	1.12	3,965,800	0.91

(1) At December 31, 2010, the weighted-average remaining contractual life of stock options outstanding is 3.12 years (2009 – 3.39 years, 2008 – 2.60 years).

The fair value of stock options included in the expense figures, has been estimated using the Black-Scholes Option Pricing Model based on the following weighted average assumptions:

	2010	2009	2008
Risk-free interest rate (%)	2.32%	2.01%	3.67%
Expected life (years)	3.49 Years	4.24 Years	5 years
Expected volatility (%)	77%	66%	64%
Expected dividend yield (%)	0%	0%	0%

The weighted average grant-date fair value of options granted during 2010 was \$2.74 (2009 - \$1.01, 2008 - \$0.59).

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price 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 stock option grants.

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

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*(Stated in Canadian Dollars)***12. SHARE CAPITAL** *(continued)*

The following is a summary of outstanding stock options:

December 31, 2010			
Option Price Range	Number Outstanding	Weighted Average Price	Weighted Average Life
		\$	Years
\$0.74-\$0.76	640,000	0.74	1.01
\$1.04	1,090,000	1.04	2.12
\$1.31 - \$1.46	2,034,000	1.31	3.02
\$1.68 - \$3.13	790,000	2.51	2.71
\$3.96 - \$4.53	645,000	4.18	4.21
\$5.22	2,379,000	5.22	4.04
Total Stock Options	7,578,000	2.82	3.12

Subsequent to the year end, the Company granted 3,301,696 incentive stock options to employees, directors and contractors at an exercise price equal to the market value on issue of \$5.80, with expiry terms of 2 and 5 years. These options must be approved by the shareholders before December 31, 2011 to become effective. If there is a change of control during this period, before shareholder approval has been received, then the grants will immediately be converted to stock appreciation rights that, upon exercise, will require the Company to pay the holder, in cash, the difference between the market price of the Company's shares at that time and the exercise price.

Subsequent to the year end, 44,000 incentive stock options were exercised for proceeds of \$160,574.

The following is a summary of changes in contributed surplus:

	2010	2009	2008
Balance at beginning of year	\$ 5,750,527	\$ 4,012,933	\$ 3,082,261
Stock-based compensation – administration	5,413,733	1,638,405	761,890
Stock-based compensation – mineral property costs	3,176,234	1,169,985	209,941
Stock-based compensation - options granted by spin-out companies	-	-	16,591
Fair value of stock options allocated to shares issued on exercise	(543,790)	(1,070,796)	(57,750)
Balance at end of year	\$ 13,796,704	\$ 5,750,527	\$ 4,012,933

13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	2010	2009
Accumulated other comprehensive loss, beginning of the year	\$ (785,842)	\$ (1,329,141)
Other comprehensive income for the year	879,696	543,299
Accumulated other comprehensive income (loss), end of the year	\$ 93,854	\$ (785,842)

Components of accumulated other comprehensive income (loss) end of the year:

Unrealized losses on temporary investments	\$ (41,501)	\$ (70,262)
Unrealized gains (losses) on marketable securities and other investments - public company shares	135,355	(715,580)
	\$ 93,854	\$ (785,842)

RUBICON MINERALS CORPORATION

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14. INCOME TAXES

Current income tax payable in the amount of \$7,150 (2009 - \$nil) represents an estimated current liability of the Company's wholly-owned subsidiary, 1304850 Ontario Inc.

The following is a reconciliation of income taxes at statutory rates:

	2010	2009	2008
	\$	\$	\$
Net loss for the year, before taxes	(31,565,670)	(2,198,042)	(5,653,969)
Expected income tax recovery	(9,466,644)	(725,354)	(1,724,460)
Net adjustment for current, deductible and non-deductible amounts	7,235,851	(824,715)	930,654
Future income tax recovery due to write-off of mineral property cost	(7,530,715)	-	-
Change in valuation allowance	2,245,544	(91,644)	(2,460,400)
Income tax recoveries, net	(7,515,964)	(1,641,713)	(3,254,206)

The significant components of the Company's future income tax assets (liabilities) are as follows:

	2010	2009
	\$	\$
Future income tax assets (liabilities):		
Net mineral property carrying amounts in excess of tax pools	(11,805,598)	(19,865,008)
Equipment and intangible tax pools in excess of carrying value	402,563	330,263
Investment tax base in excess of carrying value	(21,230)	93,062
Share issue cost pool	1,262,830	1,865,695
Tax loss carry-forwards	5,984,174	5,249,437
	(4,177,261)	(12,326,551)
Valuation allowance	(958,772)	(1,064,777)
Net future tax liabilities	(5,136,033)	(13,391,328)

The Company has non-capital losses of approximately \$22 million (2009 - \$18 million, 2008 - \$14 million), which are available to reduce future taxable income and which expire between 2014 and 2030. Subject to certain restrictions the Company also has mineral property expenditures of approximately \$98 million (2009 - \$54 million, 2008 - \$30 million) available to reduce taxable income in future years.

15. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2010, the Company paid legal fees to a law firm, of which a partner is a director of the Company, aggregating to \$638,251 (2009 - \$810,448, 2008 - \$198,422). Of this amount, \$325,344 was reimbursed to the Company by a third party in connection with a secondary offering of the Company's shares. The fees are recorded within professional expenses, mineral property acquisition costs, investments and share issue costs in these financial statements. As at December 31, 2010, this law firm is owed \$nil (2009 - \$5,000). All these transactions were recorded at their fair value amounts and were incurred in the normal course of business.

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

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16. COMMITMENTS

- (a) At December 31, 2010, the Company has the following lease, rental and contractual commitments, made for the Company's office premises, staff accommodations and various contractual obligations made for the acquisition of equipment and to further develop the Company's Phoenix Gold project:

	Due within One Year	Due One to Three Years	Total
Lease and Rental Commitments	\$ 187,405	\$ 185,325	\$ 372,730
Contractual Commitments	3,508,545	-	3,508,545
Total	\$ 3,695,950	\$ 185,325	\$ 3,881,275

- (b) The Company is required to make certain cash payments and incur exploration costs to maintain its mineral properties in good standing. These payments and costs are at the Company's discretion and are based upon available financial resources and the exploration merits of the mineral properties which are evaluated on a periodic basis.

17. SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

During the year ended December 31, 2010, the Company received common shares of other companies valued at \$215,802 (2009 - \$109,813, 2008 - \$183,340) pursuant to the terms of mineral property option agreements. The Company has excluded from its investing cash flows \$3,459,552 (2009 - \$2,873,019, 2008 - \$267,830) in accounts payable relating to mineral property costs. Other non-cash investments included \$3,176,233 (2009 - \$1,169,985, 2008 - \$209,940) recorded in property expenditures for stock-based compensation awarded to personnel working on mineral properties and \$329,170 (2009 - \$80,979, 2008 - \$nil) recorded in property expenditures for amortization.

	2010	2009	2008
	\$	\$	\$
During the year, the Company paid and received the following:			
Interest received	349,119	149,604	689,250
Interest paid	4,207	2,525	22,351
Income taxes paid	7,601	26,505	74,000

18. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Material variations in the accounting principles, practices and methods used in preparing these financial statements from principles, practices and methods accepted in the United States ("U.S. GAAP"), and that impact financial statement line items, are described below.

(a) Mineral property interests and deferred exploration costs

Under Canadian GAAP, costs to maintain property rights (including property options) and related exploration costs incurred on those properties may be deferred and subsequently carried at cost prior to a Company having obtained the necessary data to complete a positive feasibility study, including the preparation of a cash flow projection in respect to the recoverability of those costs. Accordingly, while the Company's projects remain at a pre-feasibility stage of development, management has elected under Canadian GAAP to defer all maintenance and exploration costs incurred on them until a property is abandoned, sold, or upon management determining there to be an impairment in value. Under U.S. GAAP, prior to the point in time that a positive feasibility report has been completed in respect to a property, such costs must be expensed as incurred.

RUBICON MINERALS CORPORATION

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18. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)

(b) Flow-through shares

Under Canadian income tax legislation, the Company is permitted to issue shares whereby the Company agrees to incur qualifying expenditures (as defined under the Canadian Income Tax Act) and renounce the related income tax deductions to the investors. Under Canadian GAAP, flow-through shares are accounted for as part of the issuance of capital stock at the price paid for the shares, net of any future income tax liability ("FIT"). Under US GAAP, SFAS 109 ASC Topic 740, "Accounting for Income Taxes" (SFAS109), the proceeds should be allocated between the offering of the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognized initially for the premium paid by the investors.

For US GAAP purposes, the difference between the future income tax liability on renunciation and the premium is recorded as a future income tax expense. For US GAAP purposes the Company does not have temporary differences as a result of the requirement that all such costs related to mineral properties generally be expensed as described in (a) above; therefore all future income taxes related to renunciations for Canadian GAAP are reversed through the statements of operations for US GAAP purposes.

The reconciling items disclosed herein are in respect to both the recognition of the tax benefit sale under U.S. GAAP and to the reversal of the required Canadian GAAP treatment of flow-through share issuances and renunciations.

Also, notwithstanding there is no specific contractual restrictions or requirements to segregate the funds received for the flow-through shares, funds that are unexpended at the consolidated balance sheet dates are considered to be restricted funds and are not considered to be cash or cash equivalents under the SEC staff interpretation of US GAAP. Such amounts would be required to be disclosed separately in a consolidated balance sheet prepared in accordance with US GAAP.

(c) Investment in companies spun-off

Under US GAAP certain elements of the warrants and options spun off pursuant to the Plan of Arrangement (POA) transaction of December 2006, would be accounted for differently from their treatment in these financial statements. Specifically the Company would generally be required to present all assets acquired and liabilities assumed at their gross amounts, with no right of offset. A significant liability would be recorded in respect to obligations related to transferred share purchase warrants, an amount included in equity under Canadian GAAP. This liability was extinguished during 2007 as all warrants were exercised. Further, the Company would also record certain items in Operations and Other Comprehensive Income under US GAAP relating to certain fair value adjustments required to be made at December 31, 2006.

(d) Income taxes

In June 2006, FASB issued Financial Interpretation No. 48 (ASC 740), Accounting for Uncertainty in Income Taxes - An Interpretation of SFAS Statement No. 109. This interpretation provides guidance on recognition and measurement of uncertainties in income taxes and is effective for the Corporation's fiscal year end. The adoption of this Interpretation did not have a significant effect on the Corporation's results of operations or financial position.

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18. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)

(e) Exploration stage company

Pursuant to US GAAP and the guidance of the SEC, the Corporation would be subject to the disclosure requirements applicable to a development stage enterprise as the Corporation is devoting its efforts to establishing commercially viable mineral properties. However, the identification of the Corporation as such for accounting purposes does not impact the measurement principles applied to these financial statements.

(f) Consolidated statement of cash flows

Pursuant to US GAAP and the guidance of the SEC, the Corporation would be subject to the disclosure requirements applicable to a development stage enterprise as the Corporation is devoting its efforts to establishing commercially viable mineral properties. However, the identification of the Corporation as such for accounting purposes does not impact the measurement principles applied to these financial statements.

The Corporation has included a subtotal in cash flows from operating activities. Under US GAAP, no such subtotal would be disclosed.

For Canadian GAAP, cash flows relating to mineral property costs are reported as investing activities. For US GAAP, these costs would be characterized as operating activities.

(g) Recently adopted accounting standards

In August 2009, FASB amended SFAS 157 (codified within ASC 820). The amendments address the impact of transfer restrictions on the fair value of a liability and the ability to use the fair value of a liability that is traded as an asset as an input to the valuation of the underlying liability. The amended standard also clarifies the application of certain valuation techniques. This standard became effective for interim and annual periods beginning after August 26, 2009. This standard did not affect the Company's consolidated financial statements.

In June 2009, FASB issued SFAS 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167", codified within ASC 810). SFAS 167 eliminates FASB Interpretation 46(R)'s exceptions to consolidating qualifying special-purpose entities, contains new criteria for determining the primary beneficiary, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a variable interest entity. SFAS 167 also contains a new requirement that any term, transaction, or arrangement that does not have a substantive effect on an entity's status as a variable interest entity, a company's power over a variable interest entity, or a company's obligation to absorb losses or its right to receive benefits of an entity must be disregarded in applying FASB Interpretation 46(R)'s provisions. This standard did not affect the Company's consolidated financial statements.

In June 2009, the FASB issued SFAS 166, "Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140" ("SFAS 166", codified within ASC 860). SFAS 166 eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor's interest in transferred financial assets. SFAS 166 became effective for transfers of financial assets in fiscal years beginning after November 15, 2009 and in interim periods within those fiscal years. This standard did not affect the Company's consolidated financial statements.

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18. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)

(h) Recent Accounting Pronouncements

The Company transitioned to International Financial Reporting Standards (“IFRS”) on January 1, 2011 and will no longer be required to prepare reconciliation to US GAAP. Accordingly, the Company has not assessed the impact of adopting recent US accounting pronouncements with an application date of January 1, 2011 or beyond on its financial statements and disclosures.

(i) The impact of these differences in respect to these financial statements is quantified below as they apply to financial statement line items

Balance Sheets	Note reference	2010	2009	2008
		\$	\$	\$
Investments - companies spun off - Canadian GAAP		2,311	168,694	153,400
Net fair value and related adjustments	(c)	-	-	-
Investment in companies spun off - US GAAP		2,311	168,694	153,400
Mineral property costs - Canadian GAAP		154,293,692	114,209,833	82,862,073
Mineral property costs expensed under US GAAP	(a)	(128,753,553)	(70,833,206)	(39,485,443)
Mineral property costs - US GAAP		25,540,139	43,376,627	43,376,630
Other liabilities - Canadian GAAP		-	-	-
Aggregate liabilities assumed on spin-off transaction	(c)	-	5,289	13,753
Other liabilities - US GAAP		-	5,289	13,753
Flow-through share tax liability – Canadian GAAP		-	-	-
Future tax related to premium on flow-through financing	(b)	-	-	1,217,593
Flow-through share tax liability – US GAAP		-	-	1,217,593
Share capital - Canadian GAAP		248,482,600	246,391,590	109,912,429
Adjustment to reverse entry for spin-off of Paragon assets	(a)	6,979,704	6,979,704	6,979,704
Future tax related to premium on flow-through financing	(b)	(3,007,245)	(3,007,245)	(3,007,245)
Adjustment to reinstate Canadian GAAP FIT recovery to share capital	(b)	6,440,882	6,440,882	4,797,132
Share capital – US GAAP		258,895,941	256,804,931	118,682,020
Opening deficit - Canadian GAAP		22,659,689	22,103,360	19,703,597
Net historical adjustments - US GAAP	(a)	81,251,836	49,486,380	31,344,349
Opening deficit - US GAAP		103,911,525	71,589,740	51,047,946
Accumulated other comprehensive income (loss) – Canadian GAAP		93,854	(785,842)	(1,329,141)
Adjustment to reflect net fair value measurements at each year end.	(c)	-	-	-
Accumulated other comprehensive income (loss) - US GAAP		93,854	(785,842)	(1,329,141)

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18. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)

Operations Statements	Note reference	2010	2009	2008
		\$	\$	\$
FIT recovery - Canadian GAAP		7,530,715	1,645,615	3,276,809
Adjustments to FIT recoveries	(b)	-	(426,157)	(1,486,137)
FIT (expensed) recovery under US GAAP		7,530,715	1,219,458	1,790,672
Stock-based compensation expense - Canadian GAAP		5,585,969	1,638,418	659,806
Adjustment to fair value certain spin-off related items	(c)	(5,289)	(8,461)	(256,869)
Stock-based compensation expense - US GAAP		5,580,680	1,629,957	402,937
Mineral property costs written off - Canadian GAAP		21,163,835	-	-
Under US GAAP such expenses not initially capitalized	(a)	(3,327,346)	-	-
Mineral property costs written off under US GAAP		17,836,489	-	-
Mineral property costs expensed - Canadian GAAP		144,006	212,265	232,932
Under Canadian GAAP policy such costs initially deferred	(a)	61,247,693	31,347,760	16,705,015
Net mineral property costs expensed – US GAAP		61,391,699	31,560,025	16,937,947
Statements of Cash Flows	Note reference	2010	2009	2008
		\$	\$	\$
Cash provided by (used in) operating activities, under Canadian GAAP		(4,405,403)	(3,118,912)	(1,253,264)
Adjustment for mineral properties and deferred exploration	(g)	(56,444,420)	(27,611,890)	(16,893,521)
Cash used in operating activities, under US GAAP		(60,849,823)	(30,730,802)	(18,146,785)
Cash provided by (used in) investing activities, under Canadian GAAP		13,077,790	(150,309,553)	(4,342,536)
Adjustment for mineral properties and deferred exploration	(g)	56,444,420	27,611,890	16,893,521
Cash provided by (used in) investing activities, under US GAAP		69,522,210	(122,697,663)	12,550,985

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Notes to the Consolidated Financial Statements

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(Stated in Canadian Dollars)

18. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)

Statements of Cash Flows	Note reference	2010	2009	2008
		\$	\$	\$
Cash provided by financing activities, under Canadian GAAP		918,081	137,052,115	9,558,240
Change in restricted cash from issuance of flow-through shares	(b)	-	-	4,254,955
Cash provided by financing activities, under US GAAP		918,081	137,052,115	13,813,195
Cash and cash equivalents, end of year, Canadian GAAP		11,967,867	2,377,398	18,753,749
Restricted cash from issue of flow-through shares	(b)	-	-	(5,730,041)
Cash and cash equivalents, end of year, US GAAP		11,967,867	2,377,398	13,023,708

The following is comparative disclosure of the application of US GAAP as described above to certain other line items in these consolidated financial statements:

	2010		2009		2008	
	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP
	\$	\$	\$	\$	\$	\$
Total assets	227,922,977	99,169,424	246,126,913	175,293,707	106,834,083	67,348,640
Total liabilities	12,259,214	12,259,214	17,430,327	17,435,616	16,341,222	17,572,568
Total shareholders' equity	215,663,763	86,910,210	228,696,586	157,858,091	90,492,861	49,776,072
Net loss	(24,049,706)	(81,964,764)	(556,329)	(32,321,785)	(2,399,763)	(20,334,046)
Loss per share	(0.11)	(0.32)	(0.00)	(0.17)	(0.02)	(0.14)
Net cash flows to operating activities	(4,405,403)	(60,849,825)	(3,118,912)	(30,730,802)	(1,253,264)	(18,146,785)
Net cash flows (to)from investing activities	13,077,790	69,522,210	(150,309,553)	(122,697,663)	(4,342,536)	12,550,985
Net cash flows from financing activities	918,081	918,081	137,052,115	137,052,115	9,558,240	13,813,195

(j) Development stage enterprise

The Company meets the definition of a development stage enterprise under Statement of Financial Accounting Standards No. 7 (SFAS No. 7; ASC 914), Accounting and Reporting by Development Stage Enterprises. The following additional disclosures are required under U.S. GAAP:

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*(Stated in Canadian Dollars)***18. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)**

Consolidated summarized statements of loss and deficit and cash flows since inception March 4, 1996:

Consolidated loss and deficit:

	From March 4, 1996 (inception) to December 31, 2010
Mineral property exploration costs	\$ 166,065,081
General and administration	26,000,869
Other income	(6,189,661)
Net loss and deficit as at December 31, 2010	\$ (185,876,289)

Consolidated cash flows:

	From March 4, 1996 (inception) to December 31, 2010
Cash Provided by (Used for):	
Operating Activities	\$ (167,743,237)
Investing Activities	(56,720,550)
Financing Activities	236,431,654
	11,967,867
Cash at beginning of period	-
Cash and cash equivalents, as at December 31, 2010	\$ 11,967,867

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18. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)

The following table represents the Company's equity transactions from inception:

	Common Shares		Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Shareholders' Equity
	Number of shares	Amount				
Balance March 4, 1996 Incorporation	-	\$ -	\$ -	\$ -	\$ -	\$ -
Issued for cash	3,380,000	1,466,750	-	-	-	1,466,750
Issued for mineral property	2,845,000	711,250	-	-	-	711,250
Share issuance costs	-	(8,736)	-	-	-	(8,736)
Loss for the year	-	-	-	-	(1,475,999)	(1,475,999)
Balance December 31, 1996	6,225,000	2,169,264	-	-	(1,475,999)	693,265
Flow through shares issued for cash	1,300,000	1,365,000	-	-	-	1,365,000
Public offering	1,720,000	1,418,215	-	-	-	1,418,215
Private Placement	907,630	988,884	-	-	-	988,884
Loss for the year	-	-	-	-	(2,475,147)	(2,475,147)
Balance December 31, 1997	10,152,630	5,941,363	-	-	(3,951,146)	1,990,217
Issued for cash	1,582,145	549,859	-	-	-	549,859
Issued for mineral property	50,000	20,000	-	-	-	20,000
Loss for the year	-	-	-	-	(1,947,546)	(1,947,546)
Balance December 31, 1998	11,784,775	6,511,222	-	-	(5,898,692)	612,530
Issued for cash	2,357,427	1,180,364	-	-	-	1,180,364
Warrants exercised	1,301,307	546,549	-	-	-	546,549
Flow through benefit related to premium	-	(24,436)	-	-	-	(24,436)
Issued for Mineral Property	150,000	60,000	-	-	-	60,000
Investments revalued	-	-	-	1,500	-	1,500
Loss for the year	-	-	-	-	(2,584,680)	(2,584,680)
Balance December 31, 1999	15,593,509	8,273,699	-	1,500	(8,483,372)	(208,173)
Issued for cash	2,840,000	1,044,140	-	-	-	1,044,140
Warrants exercised	900,000	590,000	-	-	-	590,000
Issued for mineral property	175,000	98,500	-	-	-	98,500
Flow through benefit related to premium	-	(134,000)	-	-	-	(134,000)
Revaluation of investments	-	-	-	(6,101)	-	(6,101)
Loss for the year	-	-	-	-	(252,646)	(252,646)
Balance December 31, 2000	19,508,509	9,872,339	-	(4,601)	(8,736,018)	1,131,720
Issued for cash	3,427,858	1,058,942	-	-	-	1,058,942
Warrants exercised	337,500	135,000	-	-	-	135,000
Issued for mineral property	125,000	57,250	-	-	-	57,250
Revaluation of investments	-	-	-	5,101	-	5,101
Loss for the year	-	-	-	-	(1,333,672)	(1,333,672)
Balance December 31, 2001	23,398,867	11,123,531	-	500	(10,069,690)	1,054,341

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18. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)

	Common Shares		Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Shareholders' Equity
	Number of shares	Amount				
		\$	\$	\$	\$	\$
Issued for cash	5,368,463	3,568,885	-	-	-	3,568,885
Stock options exercised	167,500	64,725	-	-	-	64,725
Warrants exercised	3,671,393	2,165,488	-	-	-	2,165,488
Issued for mineral property	1,426,028	1,656,612	-	-	-	1,656,612
Stock based compensation charge	-	-	145,355	-	-	145,355
Stock based property payment	-	-	52,130	-	-	52,130
Revaluation of investments	-	-	-	(813)	-	(813)
Loss for the year	-	-	-	-	(7,832,016)	(7,832,016)
Balance December 31, 2002	34,032,251	18,579,241	197,485	(313)	(17,901,706)	874,707
Issued for cash	13,979,329	14,389,958	-	-	-	14,389,958
Stock options exercised	1,547,500	583,125	-	-	-	583,125
Warrants exercised	2,022,740	1,489,488	-	-	-	1,489,488
Issued for mineral property	602,811	711,381	-	-	-	711,381
Stock based compensation charge	-	-	556,046	-	-	556,046
Flow through benefit related to premium	-	(480,000)	-	-	-	(480,000)
Revaluation of investments	-	-	-	36,491	-	36,491
Loss for the year	-	-	-	-	(6,851,099)	(6,851,099)
Balance December 31, 2003	52,184,631	35,273,193	753,531	36,178	(24,752,805)	11,310,097
Issued for cash	2,093,412	2,398,702	-	-	-	2,398,702
Stock options exercised	79,000	80,685	(12,465)	-	-	68,220
Warrants exercised	525,161	629,333	-	-	-	629,333
Issued for mineral property	123,827	164,372	-	-	-	164,372
Stock based compensation charge	-	-	1,100,980	-	-	1,100,980
Flow through benefit related to premium	-	(367,665)	-	-	-	(367,665)
Share issuance costs	-	-	118,417	-	-	118,417
Revaluation of investments	-	-	-	(238,665)	-	(238,665)
Loss for the year	-	-	-	-	(6,253,847)	(6,253,847)
Balance December 31, 2004	55,006,031	38,178,620	1,960,463	(202,487)	(31,006,652)	8,929,944
Issued for cash	10,232,000	6,420,989	-	-	-	6,420,989
Issued for mineral property	159,000	151,520	-	-	-	151,520
Stock options exercised	300,000	338,087	(97,837)	-	-	240,250
Warrants exercised	482,493	559,318	-	-	-	559,318
Stock based compensation charge	-	-	683,671	-	-	683,671
Flow through benefit related to premium	-	(140,000)	-	-	-	(140,000)
Share issuance costs	-	-	77,483	-	-	77,483
Revaluation of investments	-	-	-	191,925	-	191,925
Loss for the year	-	-	-	-	(7,694,377)	(7,694,377)
Balance December 31, 2005	66,179,524	45,508,534	2,623,780	(10,562)	(38,701,029)	9,420,723
Issued for cash	7,640,560	10,431,265	-	-	-	10,431,265
Issued for mineral property	101,000	130,720	-	-	-	130,720
Stock options exercised	760,628	1,114,599	(297,314)	-	-	817,285
Warrants exercised	2,128,813	1,779,452	-	-	-	1,779,452
Stock based compensation charge – administration	-	-	220,964	-	-	220,964
Stock based compensation charge – property	-	-	22,062	-	-	22,062
Spun-off of properties	-	(5,908,711)	(309)	-	-	(5,909,020)
Option granted by spun-off companies	-	-	(22,417)	-	-	(22,417)
Revaluation of investments	-	-	-	318,539	-	318,539
Loss for the year	-	-	-	-	(3,944,765)	(3,944,765)
Balance December 31, 2006	76,810,525	53,055,859	2,546,766	307,977	(42,645,794)	13,264,808

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18. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)

	Common Shares		Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total Shareholders' Equity
	Number of shares	Amount				
		\$	\$	\$	\$	\$
Issued for cash	26,265,462	24,165,197	-	-	-	24,165,197
Issued for mineral property	40,000,000	28,000,000	-	-	-	28,000,000
Stock options exercised	1,547,374	1,476,765	(377,399)	-	-	1,099,366
Warrants exercised	3,152,792	1,451,905	-	-	-	1,451,905
Stock based compensation charge – administration	-	-	576,606	-	-	576,606
Stock based compensation charge – property	-	-	335,979	-	-	335,979
Spun-off of properties	-	2,290,988	309	-	-	2,291,297
Flow through benefit related to premium	-	(643,551)	-	-	-	(643,551)
Agent commissions	393,262	700,006	-	-	-	700,006
Shares returned to treasury	(297,914)	(213,545)	-	-	-	(213,545)
Revaluation of investments	-	-	-	152,256	-	152,256
Loss for the year	-	-	-	-	(8,402,152)	(8,402,152)
Balance December 31, 2007	147,871,501	110,283,624	3,082,261	460,233	(51,047,946)	62,778,172
Issued for cash	8,166,670	9,460,640	-	-	-	9,460,640
Stock options exercised	113,700	155,349	(57,750)	-	-	97,599
Stock based compensation charge – administration	-	-	-	-	-	-
Stock based compensation charge – property	-	-	761,890	-	-	761,890
Option granted by spun-off companies	-	-	209,941	-	-	209,941
Flow through benefit related to premium	-	-	16,591	-	-	16,591
Revaluation of investments	-	(1,217,593)	-	-	-	(1,217,593)
Loss for the year	-	-	-	(1,789,374)	-	(1,789,374)
Balance December 31, 2008	156,151,871	118,682,020	4,012,933	(1,329,141)	(71,589,740)	49,776,072
Issued for cash	18,975,000	81,398,435	-	-	-	81,398,435
Issued for cash	25,000,000	37,445,025	-	-	-	37,445,025
Stock options exercised	2,408,300	3,255,186	(1,070,796)	-	-	2,184,390
Warrants exercised	10,682,843	16,024,265	-	-	-	16,024,265
Stock based compensation charge – administration	-	-	1,638,405	-	-	1,638,405
Stock based compensation charge – property	-	-	1,169,985	-	-	1,169,985
Revaluation of investments	-	-	-	543,299	-	543,299
Loss for the year	-	-	-	-	(32,321,785)	(32,321,785)
Balance December 31, 2009	213,218,014	256,804,931	5,750,527	(785,842)	(103,911,525)	157,858,091
Share issuance costs	-	(15,879)	-	-	-	(15,879)
Issued for mineral property	54,054	215,135	-	-	-	215,135
Stock options exercised	931,000	1,477,750	(543,790)	-	-	933,960
Issued for mineral property	91,606	414,004	-	-	-	414,004
Stock based compensation charge – administration	-	-	5,413,733	-	-	5,413,733
Stock based compensation charge – property	-	-	3,176,234	-	-	3,176,234
Revaluation of investments	-	-	-	879,696	-	879,696
Loss for the year	-	-	-	-	(81,964,764)	(81,964,764)
Balance December 31, 2010	214,294,674	258,895,941	13,796,704	93,854	(185,876,289)	86,910,210

RUBICON MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2010

*(Stated in Canadian Dollars)***18. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)**

The following additional information would have been presented if these consolidated financial statements were presented in accordance with US GAAP:

(k) Accounts payable and accrued liabilities

	2010	2009
Operating payables	\$ 3,226,369	\$ 1,165,979
Minerals property payables	3,459,552	2,873,020
Liability for stock appreciation rights	306,103	-
	<u>\$ 6,992,024</u>	<u>\$ 4,038,999</u>

(l) Accumulated other comprehensive income

- (1) Total gains for securities with net gains included in accumulated other comprehensive income amounted to \$473,477 (2009 – 504,366).
- (2) Total losses for securities with net losses included in accumulated other comprehensive income amounted to \$333,036 (2009 – 617,482).

Summary of investments with unrealized losses:

Investment	2010		2009	
	Fair value	Aggregate Unrealized Losses	Fair value	Aggregate Unrealized Losses
Treasury bills	\$ 47,923,015	\$ 36,522	\$ 124,395,204	\$ 71,419
Public company shares	426,546	333,036	140,260	617,482
	<u>\$ 48,349,561</u>	<u>\$ 369,558</u>	<u>\$ 124,535,464</u>	<u>\$ 688,901</u>

Unrealized losses were not considered other than temporary due to high volatilities of shares held and improving market conditions. All listed investments have been in a loss position for over 12 months.

(m) Stock based compensation and other share based payments

- (1) Stock based compensation for service based awards with graded vesting is calculated separately for each vesting portion and recorded over the service period of each vesting portion.
- (2) Life of option was estimated based on historical experience of the Company for similar awards.
- (3) Volatility of Company shares was estimated based on the Company's historical volatility over periods commensurate with the option estimated life.
- (4) The total intrinsic value of all options outstanding at year end was \$21,672,120 (2009 – \$20,366,000).
- (5) The total intrinsic value of options exercised during the year was \$3,919,125 (2009 - \$7,462,454).
- (6) The total fair value of amounts not yet expensed for unvested options, outstanding at year end, was \$129,567 (2009 - \$724,183) and have a weighted average time to vesting of 3.9 months (2009 -7.25 months).
- (7) Stock based compensation for employees on the statement of operations included in the line "Stock based compensation" would be included in the line "General and administration", under USGAAP.



RUBICON

RUBICON MINERALS CORPORATION

Management's Discussion & Analysis

For the Year Ended December 31, 2010

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INTRODUCTION

This Management Discussion and Analysis (“MD&A”) dated March 31, 2011 includes financial information from, and should be read in conjunction with, the audited consolidated financial statements for the fiscal year ended December 31, 2010. Please refer to the cautionary notices at the end of this MD&A, especially in regard to forward looking statements. Rubicon Minerals Corporation (“Rubicon” or the “Company”) reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles (“GAAP”) in Canadian dollars.

Rubicon is a Canadian based mineral exploration-stage company that explores for commercially viable gold and base metal deposits. In addition, the Company selectively invests in other mineral exploration and resource companies which the Company deems to be of merit.

The Company’s key asset is the Phoenix Gold Project located in the Red Lake gold camp, in the Province of Ontario. In addition, the Company has significant land packages in the Red Lake area outside the Phoenix Gold Project and in Alaska, USA and Nevada, USA. The Company does not have any assets or mineral properties that are in production or that contain a reserve.

The Company is a reporting issuer in all the provinces of Canada as well as with the SEC in the United States. The Company’s common shares trade on the TSX in Canada under the symbol ‘RMX’ and on the NYSE Amex Equities Exchange in the United States under the symbol ‘RBY’.

HIGHLIGHTS OF 2010

The Company concentrated nearly all its efforts in 2010 on advancing its flagship project, the Phoenix Gold Project. At the beginning of the year the Company had already demonstrated that the F2 Gold System was of a significant size. The main objective of 2010 was to take this to the next level through a significant drill program to further understand the structure of the deposit, expand its limits and prove up a National Instrument 43-101 compliant inferred mineral resource estimate.

Key to achieving these objectives was the completion of the shaft to a level that would allow a drift out to the centre of the core zone of the F2 System, and the excavation of 6 underground drill stations. Drilling from underground has allowed the Company to achieve much more efficient use of its drill dollars through shorter holes to the targets and also provided more flexibility in terms of the angles of drill holes. Shorter holes have also allowed tighter spaced delineation drilling to be carried out in the central part of the deposit around the 305 metre elevation.

Some of the milestones achieved in the project development included:

- Completion of the shaft depth from 285 metres to 338 metres allowing development of the 305 metre level.
- Completion of 995 excavation metres including taking the 305 level drift the 450 metres to the centre of the F2 Core Zone and completion of crosscuts for drill stations.
- Completion of 6 underground diamond drill stations at the 305 level.
- Acquisition and installation of an underground rockbreaker and grizzly.

RUBICON MINERALS CORPORATION – MD&A – December 31, 2010

- Significant progress on excavation of a second egress required for safety and future development.
- Commencement of bulk sample excavations.

In parallel with the underground development and exploration work, progress was made in other key areas of developing the project.

- In January, an Exploration and Accommodation Agreement was signed with the Lac Seul First Nation securing their support through the advanced exploration stage of the project.
- Preliminary studies were completed by the Company's metallurgical consultants which suggest the samples were amenable to standard gravity and carbon-in-leach treatments. Average gold recoveries from the samples were 93.8%.
- Third party studies were commenced on mill, paste fill plant and the tailings management facility and all were completed in early 2011.
- Third party preparation of various studies relating to mining were continued and are on track to be completed on or around Q1 2011, subject to government approvals.
- An offer to connect to the Ontario power grid from Hydro One for 1 megawatt was received and accepted and a subsequent offer to connect from Hydro One for a further 4.3 megawatts was received in February 2011.
- The tailing management facility was cleared of needing approvals by the Department of Fisheries and Oceans and dewatering was subsequently commenced early in 2011 as a precursor to various improvements required as part of the permitting and eventual mining process.
- All studies have been carried out by third party independent consultants.

Other accomplishments included:

- Awarded the Northwestern Ontario Developer of the year Award 2010 by the Northwest Ontario Prospectors Association.
- Awarded the AME BC Colin Spence Award for Excellence in Global Mineral Exploration.

DETAILED REVIEW OF ACTIVITIES DURING 2010

Rubicon continued to drill from surface (land and barge based drills) and underground at its Phoenix Gold Project during 2010. To date, since its discovery in February 2008, the Company has drilled over 234,000 metres on its F2 Gold System. The Company is near completion of the planned 100,000 metre March 2010 to March 2011 drilling program. Positive results announced during the year (see news releases February 3, 2010, April 12, 2010, May 17 and May 27, 2010, July 6, 2010, August 18, 2010, October 18, 2010, November 17, 2010, and December 21, 2010) continued the trend established in 2008, confirming expansion of the F2 Gold System.

To the end of 2010, the Company has completed 155,000 metres of drilling on the Phoenix Gold Project, including 135,000 metres on the F2 Gold System and an additional 20,000 metres on other targets on the property. Underground development, to the end of 2010, included completion of the shaft extension to a depth of 338 metres and advancement of the 305 level drift 400 metres toward the F2 Core Zone. At year end, five drills were actively drilling on the 305 level.

In January of 2010, Rubicon entered into an Exploration Accommodation Agreement with the Lac Seul First Nation covering certain of Rubicon's Ontario exploration properties, including the Phoenix Gold Property, which are located on lands considered by the Lac Seul First Nation to be its traditional territory. Rubicon secured the support of Lac Seul First Nation for the Phoenix Gold Project in return for certain benefits and accommodations. Consultations with First Nations whose traditional territory includes Red Lake continue. For more information, see our news release dated January 21, 2010.

In April of 2010 the Company was awarded the Northwestern Ontario Developer of the Year award. The award was presented by the Northwest Ontario Prospectors Association ("NWOPA") and recognizes 'an outstanding Northwestern Ontario developer or development project during the previous calendar year'. The award recognizes the collective efforts and achievements of our staff at the Phoenix Gold Project.

On July 12, 2010 the Company announced that preliminary metallurgical test work performed on several composite samples from the Phoenix Gold Project returned gold recoveries averaging 93.8%, an absence of any refractory gold component, despite the presence of appreciable sulphide minerals in the sampled gold zones and contained low arsenic content. The samples are amenable to standard gravity and carbon-in-leach treatments. The Company considers these results highly encouraging and believes they bode well for optimization of both future capital and operating costs. Results are preliminary in nature and considerably more sample material and test work is required to further characterize and optimize the F2 Gold System metallurgy.

In October, in order to maintain a stable share price, the Company assisted Robert McEwen with an orderly disposition of the shareholdings under his control by completing a secondary offering of the shares. 45,714,357 common shares previously owned by entities owned or controlled by Mr. McEwen were sold at a price of \$4.16. The Company did not receive any proceeds from this secondary offering and assisted in the disposition of these shares to protect shareholder value.

On November 29, 2010 the Company announced an initial 43-101 compliant inferred mineral resource estimate for the F2 gold system, part of the Phoenix Gold Project. On February 14, 2011 the Company announced that as a result of a review by the British Columbia Securities Commission ("BCSC") the Company expects to file an amended technical report. On March 31, 2011, as a result of the BCSC review, the Company announced an amended inferred mineral resource and geological potential estimates for the F2 Gold System. The amended estimates were prepared by Peter George of Geoex Limited, the Company's independent QP and author (the "Author") of the NI 43-101 Technical Report. The summary of the amended polygonal model inferred mineral resource estimate (using a 5 g/t gold cut-off and 10 grams x metre product (core length), surface to 1200 metres below surface) is as follows:

- 5,500,000 inferred tonnes;
- 20.34 g/t inferred gold grade and 3,597,000 inferred ounces of gold, both on an uncapped basis; and
- 17.29 g/t inferred gold grade and 3,057,000 inferred ounces of gold, both on a capped basis (using a 10-5-2 capping strategy).

The summary of the amended block model validation inferred mineral resource estimate (using a 5 g/t cut off, surface to 1200 metres below surface) is as follows:

- 6,017,000 inferred tonnes;
- 16.49 g/t inferred gold grade and 3,190,000 inferred ounces of gold, both on an uncapped basis; and
- 15.69 inferred gold grade and 3,035,000 inferred ounces of gold, both on a capped basis (using a 10-5-2 capping strategy).

Inferred resources are too speculative to have economic considerations applied to them and there is no certainty that the inferred resources will be converted to measured and indicated resources.

The summary of the amended geological potential, exclusive of inferred mineral resources, surface to 1500 metres below surface, is as follows:

- a range of 1,670,000 to 4,360,000 tonnes;
- a range of 21.2 to 29.2 g/t gold grade and a range of 1,300,000 to 5,600,000 ounces of gold, both on an uncapped basis; and
- a range of 16.9 to 23.2 g/t gold grade and a range of 800,000 to 4,300,000 ounces of gold, both on a capped basis (using a 10-5-2 capping strategy).

A 10% upside and 20% downside potential for both tonnes and grade has been incorporated to address the possible uncertainty of the geological potential estimate. The potential tonnages, grades and ounces set forth in the analysis of geological potential are conceptual in nature, as there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource. Geological potential estimates are separate from inferred resource estimates.

A final amended NI-43-101 technical report containing the amended inferred mineral resource and geological potential estimates will be filed on SEDAR within 14 days of March 31, 2011.

For more details, please refer to the Company's news release dated March 31, 2011.

Further third party studies were initiated by the Company in 2010. A paste fill study was conducted in parallel with the mining study (initially commenced in 2009) and was completed at the end of September 2010. The internal model of the potential mining scenario for the Phoenix Gold Property was further refined and updated in early October 2010.

In December, 2010 the Company commenced excavating a bulk sample. Excavation of a total of 2,083 tonnes was completed in early 2011 and processing commenced in March. The bulk sample has three purposes:

1. To acquire a more representative and statistically reliable sample.
2. To further evaluate the metallurgical processes to optimally remove the gold from the ore and
3. To reconcile gold grade determined from drilling and sampling against recovered gold in the bulk sample.

On December 15, 2010 the Company announced that its Phoenix Gold Project team was awarded the Association for Mineral Exploration, British Columbia Colin Spence Award for excellence in global mineral exploration. Key members of the team included David Adamson, President and CEO, Matthew

Wunder, VP-Exploration, Ian Russell, Terry Bursey and Crystal McCullough. The award was given for their role in the discovery and development of the F2 Gold Deposit in Red Lake Ontario. This award also recognizes the collective efforts and achievements of our staff at the Phoenix Gold Project.

EXPLORATION

Red Lake Exploration

100% Controlled Projects

Phoenix Gold Project

Rubicon holds a 100% interest in the Phoenix Gold Project which is comprised of 25 Licenses of Occupation, one Mining Lease, and 16 Patented Claims that cover approximately 509.47 contiguous hectares, subject to paying certain advance annual royalty payments and a net smelter royalty on any future production from the property. The Phoenix Gold Project is underlain by a north northeast trending, west-dipping belt of deformed and intermixed metasediments, basaltic volcanics and ultramafic rocks which define the “East Bay Trend”. The rocks are Archean in age and part of the Balmer Sequence. A strong NNE trending structural fabric through the area, which is considered part of the East Bay Deformation Zone, is variably affected by later, NW-SE trending cross cutting regional structures.

2010 Exploration Highlights to December 31, 2010

Drilling

The Company drilled a total of 155,114 metres on the Phoenix Gold property during 2010. A total of 135,819 metres of this drilling was focused on the “F2 Gold System”.

Mineralization within the F2 Gold System occurs in a major ultramafic-mafic structural setting which is considered similar to major deposits in the Red Lake gold district. The F2 Gold System is currently contains significant gold intercepts to 1,453 metres below surface and remains open at depth. The mineralized system comprises a number of gold zones which are located approximately 450 metres southeast of the existing exploration shaft which has been extended to 338 metres from its former depth of 130 metres. Underground drilling from the 122 metre level commenced June 28, 2009 and from the 305 metre level on March 22, 2010. Gold in the F2 Gold System is best developed within mafic volcanic rocks as multiple and complex quartz veins, breccias and silica replacement zones that typically contain visible gold and trace to 3% sulphides. Results to date indicate that sub-parallel, high-grade gold lenses or shoots are developed within a robust structural corridor that also hosts thick, lower grade intervals. Additional drilling is required to gain a better understanding of gold distribution, geometry and controls on mineralization within the F2 Gold System.

Since discovering the F2 Gold System in late February 2008, significant gold mineralization has now been intersected to a vertical depth of 1,453 metres and over an interpreted strike length of 1,243 metres. For more information, see the Company’s news releases and its website (www.rubiconminerals.com). Drilling throughout the year utilized both surface rigs (land, ice or barge based) and underground rigs (both on the 122 level and 305 level). Since year end, the Company has had five underground rigs continuously in operation on the 305 level. Three of the rigs initiated delineation drilling on the Core Zone prior to year end.

Two NI 43-101 Technical Reports were filed during the previous year and one in 2010. The first, filed in January 2009 recommended a \$14 million multi-phase drilling and shaft sinking program. In March 2009,

this program was expanded to a \$25 million drill program (see news release dated March 30th, 2009) including an 80,000 metre drill program and up to 20,000 metre property wide regional program. A second updated NI 43-101 Technical Report was filed in October 2009 and recommended a \$54.4 million further expanded program to include underground development and additional drilling.

In September 2010 a NI 43-101 Technical Report was filed that summarized all of the Company's exploration work completed on the Property up to July 31, 2010 and was prepared in connection with the secondary offering by way of short form prospectus announced by the Company on September 16, 2010. The report recommended that the Company continue to pursue its current exploration program (approximately \$27.6 million remained to be spent between July 31, 2010 and the end of Q1 2011) and consider undertaking a preliminary resource and/or assessment of the geological potential prior to commencing its next phase of exploration and development.

On January 11, 2011, the NI 43-101 Technical Report was filed that documented the previously announced initial 43-101 compliant inferred mineral resource. On March 31, 2011, as a result of the BCSC review, the Company announced an amended inferred mineral resource and geological potential estimates for the F2 Gold System. For details please refer to the section "Detailed Review of Activities During 2010" above.

Drilling Results

Significant results received for 2010 are summarized on the Company website (see www.rubiconminerals.com for complete F2 Gold System significant assays to date). Drilling is on-going and complete assays remain pending.

Permitting and First Nations

Rubicon is currently fully permitted to complete its phase II advanced exploration and development project on the Phoenix Gold property, including accessing the F2 Core Zone and the extraction of a bulk sample. If the Company decides to commence the development and construction stage for potential production, nine new permits and a new production phase Closure Plan will be required.

The most significant permit is the production phase Closure Plan. As the Company filed its Closure Plan for approval in mid February 2011, the relevant legislation requires a response to be received by the Company from the MNDMF in early Q2. Four of the new required permits are in hand and it is expected that two of the remaining material permits will also be received in early Q2 2011 (completion of the Class Environmental Assessment for the supplemental diesel generators and the Consolidated Amendment to Air Certificate of Air Approval 9500-7NGTTC). The Company expects to receive approval of the final two material permits, the amendment to Permit to Take Water 2342-7LWRQU and the new Industrial Sewage Certificate of Approval to revoke Industrial Sewage Certificate of Approval 9305-8C5SC6 that was issued for the Advanced Exploration Phase, in mid Q2, 2011.

The Department of Fisheries and Oceans has advised the Company that re-development of the existing tailings management facility ("TMF") will not require approval from them, pursuant to Section 35 of the federal *Fisheries Act*. Dewatering of the existing TMF was completed in Q1 2011, in preparation for re-development during the potential production phase of the Phoenix Project.

Rubicon is continuing negotiations with Hydro One Networks for connection to the 44KV power grid. Currently, Rubicon has received and accepted an Offer to Connect from Hydro One Networks for 1MW. In February of 2011, Rubicon received another Offer to Connect from Hydro One Networks for an

additional 4.3 MW of electricity. Rubicon expects to be connected to the 44KV power grid in mid-2011. Rubicon further expects that an additional 4.7 MW of electrical power will be required should the Project proceed to the production phase.

With respect to First Nations consultation, Rubicon is continuing to consult with First Nations, building on its relationship and its existing Exploration Accommodation Agreement with Lac Seul First Nation.

Other Red Lake projects

Rubicon's strategy in Red Lake is predicated on its control of major ultramafic trends in this important gold-producing district. Ultramafic units are important because there is a close empirical relationship in Red Lake between ultramafic rocks and gold deposits as detailed in numerous public domain articles and publications. As such, all of Rubicon's current land holdings in Red Lake projects are considered strategic to our plans. While the current focus of the Company is on exploration at its Phoenix Gold Project, high geological potential and numerous gold zones are known to exist elsewhere on the Company's regional land holdings. These provide an important and unique pipeline of future exploration projects in Red Lake for the Company.

During the first quarter of 2010, the Company performed Titan 24 deep penetration IP surveys on four of its regional target areas: DMC Property, Slate Bay Property, East Bay Property and the McCuaig JV Property. In addition to the Titan 24 surveys, the Company flew a LIDAR survey over the northeastern portion of the Red Lake land holdings which includes the entire Phoenix, McCuaig, Adams Lake and East Bay properties and the majority of the DMC, Slate Bay and Red Lake properties. LIDAR (Light Detection and Ranging) is a type of aircraft-based remote sensing, using laser-driven pulses of light and multispectral cameras to scan and process digital information about a landscape. LIDAR is typically flown at an elevation of 700m and results in a topographic resolution of 15cm vertical and 45 cm horizontal. The survey can penetrate organic matter and is useful for mapping structures.

Results from the LIDAR survey will be used in conjunction with the Titan 24 surveys and historical data to aid in drill targeting.

Adams Lake Property

The Adams Lake property comprises 35 unpatented mining claims (236 units) located approximately 5 kilometres east of the Red Lake mine complex. Titan 24 geophysical surveys support the presence of large structures extending to depth that are thought to be similar to structures which host gold mineralization elsewhere in this prolific gold district. The Company conducted a two-hole reconnaissance program at Adams Lake in 2008. The drilling confirmed the presence of prospective Balmer rocks and validated the Titan 24 survey in the area below iron formation located close to the Balmer formation contact. The Company believes these results confirm the presence of prospective units in a major fold closure at Adams Lake. Due to the focus on the Phoenix Gold Project, drilling at Adams Lake was curtailed to allow maximum resources to be directed to the F2 Gold System discovery. The property is currently inactive.

East Bay Property

The East Bay Property comprises 43 unpatented mining claims (123 units) that occupies four-kilometres of strike length of the East Bay Trend, immediately adjacent to, and on strike with, the GAZ zone of the East Bay property of Goldcorp/Premier Gold (an inferred resource of 1.4 million tonnes grading 8.0 g/t gold - Source: Premier Gold News Releases). The East Bay claims are underlain by the East Bay ultramafic body, an important unit associated with gold elsewhere along the trend, including at the

Phoenix Gold Project. East Bay is considered strategic and a priority target. Exploration plans for East Bay in 2009 were postponed to allow maximum resources to be directed to the F2 Gold System discovery.

DMC Property

The DMC property comprises 130 contiguous unpatented mining claims (263 units) located 7.5 kilometres northwest of the Red Lake mine complex and covers over 17 kilometres strike length of the northeast-trending Red Lake Greenstone Belt (“RLGB”). The property is considered strategic to the Company and a Titan 24 geophysical survey covering the core of the DMC property was completed in April, 2009. This survey technique has the potential to provide targeting information from surface to up to one kilometre below surface. At the Company’s Phoenix Gold Project, similar Titan 24 surveys are correlated with the F2 Gold System mineralized sequence. Rubicon views Titan 24 geological surveys as potentially useful in identifying new targets beyond the Phoenix Gold Project itself. The results of the Titan 24 survey were evaluated in the fall of 2009 and used as a targeting tool for a 2010 planned winter drill program. Approximately \$1.6 million was expended on the DMC property during the current year to conduct 6,560 metres of reconnaissance drilling and an additional Titan 24 survey. Although no significant gold intercepts were returned, the drilling did provide valuable geological and structural information that will help guide further exploration on this large property.

Humlin Property

The Humlin Property comprises 31 unpatented mining claims (294 units) located in Fairlie Township. No work was conducted on the property in 2010.

Slate Bay Property

The Company has a 100% interest in 30 unpatented mining claims (153 units) located in McDonough and Graves Townships. Approximately \$500,000 in exploration work has been completed on the property since 2001, including approximately \$100,000 in the current year. Slate Bay, located in the core of Red Lake, is a large property with extensive gold-bearing highly prospective Balmer stratigraphy, which includes key mafic-ultramafic contacts in proximity to a regional scale angular unconformity. The setting is analogous to that at the producing mines in the camp. Titan 24 deep penetration IP surveys were performed over a portion of the Slate Bay property in the first quarter of 2010 and final data was received in the second quarter of 2010. The Company is using this data in conjunction with historical drilling and magnetic surveys to refine future drill targets.

Wolf Bay Property

The Wolf Bay Property comprises 23 unpatented mining claims (108 units) located in the Todd and Hammell Lake Townships of west Red Lake. The property is currently inactive.

Advance Property

The Advance Property comprises 13 patented mining claims (approximately 39 ha) in the Todd Township of west Red Lake. The property is southwest of, and contiguous to, the Newman Todd Property currently being drilled by Redstar Gold Corporation (under option to Confederation Minerals Ltd.). The property is inactive but remains a prospective target and is adjacent to properties being actively explored and drilled by competitors.

Partnered Projects

McCuaig JV Property

The McCuaig Property comprises three unpatented mining claims (10 claim units) seven kilometres northwest of the Red Lake mine complex and is a Joint Venture between Rubicon (60%) and Golden Tag Resources (40%). The property is strategically located in the heart of the Red Lake gold camp and is underlain in part by the Balmer stratigraphy of the RLGB. The geological setting is considered to be analogous to the Bruce Channel mineralization previously being explored on the adjacent Gold Eagle Mines property (now owned by Goldcorp Inc.) and to the setting of the major gold deposits of the camp hence is well located for future exploration. Notwithstanding the foregoing, the Company's focus at the Phoenix Gold Project meant that no work was carried out in 2008 and 2009. During the first quarter of 2010, a Titan 24 survey was completed on the McCuaig Property in conjunction with surveys completed over the adjacent DMC Property.

Red Lake North Property

The Company has optioned a 55% interest in its 48 unpatented mining claims (337 units) that comprise the Red Lake North Property located in Bateman, Black Bear, Coli Lake and McDonough Townships to Solitaire Minerals Corporation ("Solitaire"). Solitaire is required to spend \$751,000 by August 1, 2011 (as amended in 2011) in order to maintain its option in good standing, at which time if all work has been completed Solitaire will have earned a 55% interest in the property.

Westend Property

In July 2008, the Company optioned a 60% interest in 23 unpatented mining claims (87 units) known as the Westend Project located in Ball Township to Halo Resources Ltd. ("Halo"). Halo was required to complete \$225,000 in exploration expenditures before July 31, 2010 to maintain its option but did not complete the expenditures and subsequently dropped the Option on the property. Currently the property is comprised of 13 unpatented mining claims (47 units) and is inactive.

English Royalty Division

The English Royalty Division refers to Rubicon's active program of acquiring mineral properties for the purpose of optioning out to other mining exploration companies. As such, it provides the Company with an ongoing revenue stream of cash and shares and a residual royalty position, payable in the event production is realized, in all the properties acquired.

During the year ended December 31, 2010, the Company spent \$336,065 on acquisition costs and recovered \$604,578 in cash and shares relating to the English Royalty Division.

Exploration Accommodation Agreement

On January 21, 2010, the Company signed an Exploration Accommodation Agreement with the Lac Seul First Nation (“LSFN”) covering Rubicon’s exploration properties within lands considered by LSFN to be their traditional territory. The LSFN has agreed to support Rubicon’s exploration work within their traditional territory and in turn, Rubicon will respect the LSFN concerns over land usage, endeavor to provide work and business opportunities to band members and provide other benefits to the LSFN based on exploration expenditures. Rubicon is continuing to consult with First Nations in accordance with regulations, building on its relationship and this agreement with Lac Seul First Nation. For more information see our news release dated January 21, 2010.

Objectives for 2011

The Company plans to continue underground drill programs for the period April 1, 2011 to December 31, 2011. Drilling will be directed at the expansion of the F2 Gold System and will be used for infill and delineation drilling on one or more zones within the overall F2 Gold System. In conjunction with these programs, the Company is evaluating, and will procure where possible, permits to allow it to implement an updated Closure Plan to permit development and mining operations (subject to positive economic studies) on the Property and provision of grid power to the Phoenix Gold Project. The Company plans to complete a preliminary economic assessment for the project, which will include expected capital requirements.

Qualified Person

The 2010 exploration work in Red Lake is supervised by Terry Bursey, P.Geo., Regional Manager and the Qualified Person under the definition of NI 43-101. Assays were conducted by SGS Minerals Services using standard fire assay on a 50 gram (1 assay ton) sample with a gravimetric finish procedure. Standards, blanks, duplicates and check assays were included at regular intervals in each sample batch. Independent lab check assays were performed by ALS Chemex. Gold standards were prepared by CDN Resource Laboratories Ltd.

ALASKA EXPLORATION

The Company has spent a total of Cdn \$6.2 million on exploration and claim rentals since May 2007 on its land holdings, located in the Pogo area of Alaska. This amount includes Cdn \$3.3 million (predominantly on exploration in 2007 and 2008) on claims under option from Kiska Metals Corporation (formerly Rimfire Minerals Corporation). Subsequent to December 31, 2010 the Company notified Kiska that it would be terminating its option on these claims. The Company recorded a full impairment charge of \$21,163,835 in respect of these claims for the year ended December 31, 2010.

The remaining Alaska claims are at an early stage of exploration and accordingly, work has focused on mapping and prospecting of this large area to identify and prioritize targets for follow-up. The 2008 program also included a minor diamond drilling program testing priority areas. While drilling failed to return significant gold values, additional drilling is required to test this promising area.

Due to the F2 Gold System discovery, the Company has elected to reduce its 2010-2011 exploration in Alaska but continues to view its Alaska holdings as prospective for new high grade gold discoveries.

The Alaska projects are under the supervision of Curt Freeman, MS., P.Geo., Independent Consultant and Qualified Person as defined by NI 43-101.

NEVADA-UTAH EXPLORATION

Rubicon holds a land package in Elko County, Northeastern Nevada (225,000 acres) extending into Box Elder County, Utah (608 acres). Exploration of this property is in the preliminary stage.

To the end of December 2010, the Company has expended Cdn \$999,000 on exploration on the property. Due to the F2 Gold System discovery, the Company has elected to reduce its 2010-2011 exploration in Nevada but it continues to view its Nevada holdings as prospective for bulk mineable gold discoveries in the area.

RISKS AND UNCERTAINTIES

The success of the Company depends upon a number of factors, many of which are beyond the control of Rubicon. Typical risk factors and uncertainties, among others, include political risks, financing risks, title risks, commodity prices, exchange rate risks, operating and environmental hazards encountered in the exploration, development and mining business and changing laws and public policies. Risk factors are more fully described in our Annual Information Form dated March 31, 2011, on file at www.sedar.com.

SELECTED ANNUAL INFORMATION (based on Canadian GAAP)

Fiscal Year ended	2010	2009	2008
	\$	\$	\$
Interest and miscellaneous income	463,584	214,243	732,798
Loss on sale of investments	(366,418)	(96,721)	(222,491)
Net loss	(24,049,706)	(556,329)	(2,399,763)
Basic and diluted net loss per share	(0.11)	(0.00)	(0.02)
Total assets	227,922,977	246,126,913	106,834,083
Total long-term financial liabilities	5,260,040	13,391,328	15,525,226
Cash dividends	Nil	Nil	Nil

The major factors that caused a significant increase in net loss were a general increase in all expense levels as a result of the growth of business activity within the Company during the year and in 2010 a mineral property write off of \$21.2 million with respect to the Company's Rimfire claims. The Company expects a continued increase in general expense levels as it moves its Phoenix Gold project forward in the coming year. The 2009 reduction in loss from 2008 was largely due to a \$2.1 million foreign exchange gain in 2009 compared to a \$2.9 million foreign exchange loss in 2008, this was partially offset by a future tax recovery in 2008 that was \$1.6 million greater than in 2009 and an increase of \$1.0 million in stock-based compensation.

OPERATING RESULTS

Fiscal year ended December 31, 2010 compared to Fiscal year ended December 31, 2009

For the fiscal year 2010, the Company incurred a loss of \$24.0 million (\$0.11 loss per share) compared to a loss of \$0.6 million (\$0.00 loss per share) incurred in the fiscal year 2009, a difference of \$23.4 million. The main factors contributing to this increase are, a mineral property write off of \$21.2 million with respect to the Company's Rimfire claims in Alaska, an increase of \$1.3 million in salaries and wages as a result of an increase in bonuses paid and an increase in the number of employees the Company had on staff during the current year, a \$3.9 million increase in stock-based compensation expense as a result of the increase in the number of securities granted and the price increase in the Company's shares, a \$1.4

million decrease in foreign exchange gains incurred during the year, and an increase of \$5.9 million in future income tax recoveries recorded in the year, as a result of the mineral property write off.

For the fiscal year 2010, the Company recorded Other Comprehensive Income (“OCI”) of \$0.9 million compared to OCI of \$0.5 million in the prior year a difference of \$0.4 million. Comprehensive loss (the total of the net loss or income and the other comprehensive income or loss) for the fiscal year 2010 was \$23.2 million compared to \$13,030 in the prior year, an increase in comprehensive loss of \$23.2 million.

Significant items making up the change in net loss for the year were as follows:

- Salaries were higher by \$1,335,850 due to increased number of staff and bonus payments.
- Consulting fees increased by \$539,971 as a result of increased business activity during the year and specifically as a result of the Company obtaining a fairness opinion regarding the secondary offering of the Company’s shares during the current year.
- Insurance costs increased by \$334,305 to \$510,962 during the current year due to increases in coverage obtained by the Company.
- Professional fees consisting of legal, tax, accounting and audit fees increased by \$323,959 during the current year as a result of the increased business activity in the Company and the resulting level of advice the Company required.
- The Company incurred a mineral property write-off during the year of \$21.2 million. The Company took an impairment charge on the Rimfire option properties at year end as it felt that it was unlikely that it would choose to complete the remaining option expenditure requirements.
- Foreign exchange gains were lower by \$1.4 million due to the effect of exchange rate changes on the Company’s future income tax liability related to assets that have a US dollar tax basis.
- Interest income was higher by \$249,341 due to increased cash balances in the current year.
- Option receipts in excess of property costs, which represent amounts received from optionees of the Company’s properties was higher by \$256,795 mainly due to increased activity by the Company’s English Royalty Division.
- The future income tax recovery flowing from the mineral property write-off was \$7.5 million as a result of the zeroing of the associated deferred tax liability on the property.
- Other comprehensive income for the fiscal year 2010 was \$0.9 million compared to other comprehensive income of \$0.5 million in 2009. The OCI in the current year was the result of an increase in value of the Company’s investments in junior mining stocks, and the realization of losses on sale of certain of these investments, where, upon sale, the unrealized loss is recognized in the Statement of Operations and Deficit.
- During the year, the Company expended \$61.3 million on mineral property costs, including \$58.3 million on its Phoenix gold project in Red Lake Ontario. Significant expenditures at the Phoenix project include \$40.0 million on underground exploration work that includes contract miner costs for development of underground workings to support underground

drilling. Additionally the Company incurred \$11.6 million in surface drilling expenses at the Phoenix project during the year.

Fiscal year ended December 31, 2009 compared to Fiscal year ended December 31, 2008

For the fiscal year 2009, the Company incurred a loss of \$0.6 million (\$0.00 loss per share) compared to a loss of \$2.4 million (\$0.02 per share) incurred in the fiscal year 2008, a difference of \$1.8 million. The main factors in this decrease in income was a \$2.1 million foreign exchange gain in 2009 compared to a \$2.9 million foreign exchange loss in 2008, a reduction of \$1.6 million in income recorded for future tax benefits arising from current losses and flow through renunciations, a \$0.5 million reduction in interest income, and an increase of \$1.0 million in stock-based compensation expense.

For the fiscal year 2009, the Company recorded Other Comprehensive Income (“OCI”) of \$0.5 million compared to an other comprehensive loss of \$1.9 million in the prior year a difference of \$2.4 million. Comprehensive loss (the total of the net loss or income and the other comprehensive income or loss) for the fiscal year 2009 was \$13,034 compared to \$4,278,510 million in the prior year, a decrease in comprehensive loss of \$4,265,480.

The decrease in loss in 2009 as compared to 2008 was due to the net effect of some expense categories increasing and some decreasing. Significant items making up this change were as follows:

- Foreign exchange gains were higher by \$5.0 million due to the effect of exchange rate changes on the Company’s future income tax liability related to assets that have a US dollar tax basis.
- Salaries were higher by \$287,544 due to increased staff and bonus payments.
- Interest income was lower by \$518,555 due to lower interest rates in 2009.
- Option receipts in excess of property costs, which represent amounts received from optionees of the Company’s properties was lower by \$329,594 mainly due to decreased activity by the Company’s English Royalty Division. This largely reflected a reduction in the market for grass roots exploration projects.
- Other gains and losses improved by \$357,909. The losses in 2008 were due to impairment write-offs taken on junior mining stocks. An analysis of the Company’s stock portfolio in junior mining companies did not result in any impairment losses being recorded in 2009.
- The future income tax recovery flowing from current losses and the renunciation of flow-through share expenditures was lower by \$1.6 million due to the smaller flow through financing in 2008 (renounced in 2009) compared to 2007 (renounced in 2008).
- Other comprehensive income for the fiscal year 2009 was \$0.5 million compared to other comprehensive loss of \$1.9 million in 2008. The OCI in 2009 was mainly caused by the increase in value of the Company’s investments in junior mining stocks. These gains represent unrealized valuation gains.

USE OF PROCEEDS FROM FINANCINGS

Planned Use of Proceeds as Previously Disclosed	Actual Use of Proceeds to December 31, 2010
March 5, 2009 Financing	
<ul style="list-style-type: none"> \$25 million to be used for exploration and development of the Phoenix Gold Property (Phase I). 	<ul style="list-style-type: none"> All funds have been applied as committed.
<ul style="list-style-type: none"> \$15 million to be used for exploration and development of the Phoenix Gold Property and general and administrative and working capital purposes 	<ul style="list-style-type: none"> All funds have been applied as committed.
November 12, 2009 Financing	
<ul style="list-style-type: none"> \$58 million on exploration on the Phoenix Gold Property (Phase II). 	<ul style="list-style-type: none"> \$48.1 million has been used for exploration and development of the Phoenix Gold Property. \$9.9 million remains to be spent.
<ul style="list-style-type: none"> \$5.2 million on exploration on other Red Lake properties and Red Lake administration. 	<ul style="list-style-type: none"> \$2.9 million has been used for exploration and development on other Red Lake properties. \$2.3 million remains to be spent.
<ul style="list-style-type: none"> \$22.8 million on working capital or other exploration. 	<ul style="list-style-type: none"> \$4.9 million has been applied to financing expenses. \$17.9 million remains to be spent.

QUARTERLY RESULTS

Quarter	2010 Fourth	2010 Third	2010 Second	2010 First	2009 Fourth	2009 Third	2009 Second	2009 First
	\$	\$	\$	\$	\$	\$	\$	\$
Interest and other income	135,846	135,290	104,742	87,706	63,587	45,787	52,567	52,302
Gain (loss) on sale of investments	59,231	18,792	(149,327)	(295,114)	(3,338)	2,382	(72,341)	(23,424)
Net loss (income)	15,783,997	1,439,918	3,993,888	2,831,903	1,249,415	(76,195)	(154,284)	(462,607)
Basic and fully diluted net loss (income) per share	0.07	0.01	0.02	0.01	0.01	(0.00)	(0.00)	(0.00)

Overall, quarterly losses are tending to increase due to increased administration costs to support an expanding exploration program but this can be obscured by large fluctuations caused by property write offs, flow-through share renunciations, stock compensation pricing and exchange rate changes as they affect foreign denominated future tax liabilities. In the fourth quarter of 2010, the \$21.2 million property write-off caused an unusually large loss. A significant factor in the loss increases in 2010 was the stock based compensation recorded from incentive stock options granted early in the year. The effect of that grant was reflected in the results of operations throughout 2010. In the first quarter of 2009 a \$2.0 million tax recovery was recorded on renunciation of flow-through share exploration expenditures.

FOURTH QUARTER

For the three month period ended December 31, 2010, the Company had a net loss of \$15,783,997 (\$0.07 per share) compared to a net loss of \$1,249,415 (\$0.01 per share) incurred in the three months ended December 31, 2009, an increase in loss of \$14,534,582. The main factor in this increase in loss was the mineral property write-off of \$21.2 million that was partially offset by a \$7.6 million future income tax recovery, as the Company determined there was an impairment of its Rimfire claims in Alaska at year end. Additionally, there was an increase in salaries expense in the current quarter of \$800,991 due mainly to bonuses accrued in the current quarter as compared to the quarter ended December 31, 2009. Additionally

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there was an increase in stock-based compensation expense during the current quarter of \$573,325 as a result of an increase in the number of vesting options as compared to the quarter ended December 31, 2009. These increases in cost were partially offset by an increase in foreign exchange gain in the quarter of \$193,869 relating to the movement of the Canadian / US dollar exchange rate, and an increase in option and administration fees in excess of property costs received of \$191,892 relating to proceeds received from the English Royalty Division during the quarter.

During the three month period ended December 31, 2010, the Company had OCI of \$722,905 compared to an OCI loss of \$225,096 in the prior year. This was caused by the increase in value of the Company's investments in junior mining stocks in the current quarter.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources – December 31, 2010

The Company had working capital of \$59.9 million at the 2010 year end compared to \$125.3 million at 2009 year end. Working capital decreased in the current year primarily due to the Company expending approximately \$60.6 million during the year on mineral property expenses, primarily to further exploration at its Phoenix Gold Project.

Funds on hand at year end are sufficient to carry the Company through the next 12 months, depending on the rate of discretionary spending. In order to achieve its development goals, the Company expects to raise more funds.

Operating Cash Flows – Year ended December 31, 2010.

Cash used in operations of \$5.1 million, before working capital changes, was higher than cash used in the prior year of \$2.6 million reflecting the increased administrative activity by the Company.

Investing Activities – Year ended December 31, 2010

The Company had a cash inflow of \$13.1 million from investing activities which included \$72.9 million of funds transferred from temporary investments (T-Bills of greater than 90 day terms) and \$56.4 million in cash expended on mineral property acquisition and exploration costs, primarily related to ongoing exploration at the Company's Phoenix Gold Project (\$28 million - 2009).

Financing Cash Flows – Year ended December 31, 2010

Financing inflows during 2010 of \$0.9 million reflected the exercise of employee options during the year. Financing inflows during 2009 of \$144.5 million reflected the \$40 million (gross) private placement financing that closed in March 2009 and the net \$82 million public offering that closed in November 2009, \$2.2 million from the exercise of employee options and \$16 million from the exercise of warrants.

FINANCIAL INSTRUMENTS

The Company's financial instrument policies and fair values by category are described in notes 2 and 5 to the financial statements. Overall, the Company's only significant exposure is its cash and short-term cash investment balances. The Company's paramount concern with respect to these balances is preservation of capital and therefore, during the year, authorized investments were restricted to instruments of the Government of Canada or the Provinces of Canada.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements other than those as disclosed under commitments in note 16 of the consolidated financial statements of the Company

ASSET RETIREMENT OBLIGATIONS

The Company has an obligation to close and rehabilitate its exploration sites upon abandonment. At the Phoenix Gold Project, a survey was completed in 2009, to estimate the current cost to rehabilitate the site, if it were abandoned at that time. The total cost was estimated to be \$493,000 and this amount was deposited with the Ontario Ministry of Northern Development, Mines and Forestry. No significant changes were made to the Phoenix site during 2010. Based on a reasonable estimate of the date of rehabilitation, the Company has calculated the current value of those expected expenditures to be \$124,007 and recorded that amount as an asset retirement obligation on its balance sheet as of December 31, 2010. The Company has made an additional deposit of \$5,000 as security for British Columbia rehabilitation obligations.

A further deposit of \$995,360 was made with the MNDMF subsequent to the year end as assurance for the remediation of future activities. No new obligations were created at the time of this deposit and so no additional asset retirement obligation accounting entries were made.

COMMITMENTS

At December 31, 2010, the Company has the following lease, rental and contractual commitments:

	Due within One Year	Due One to Three Years	Total
	\$	\$	\$
Lease and rental commitments	187,405	185,325	372,730
Contractual commitments	3,508,545	-	3,508,545
Total	3,695,590	185,325	3,881,275

The Company is required to make certain cash and share option payments and incur exploration costs to maintain its mineral properties in good standing. These payments and costs are at the Company's discretion and are based upon available financial resources and the exploration merits of the mineral properties which are evaluated on a periodic basis.

TRANSACTIONS WITH RELATED PARTIES

Legal services

David R. Reid is a director of the Company and a partner at the law firm Davis LLP. During the fiscal year 2010, the Company paid legal fees to Davis LLP, aggregating to \$628,251 (2009 - \$810,448). Of this amount, \$325,344 was reimbursed to the Company by a third party in connection with a secondary offering of the Company's shares. As at December 31, 2010, Davis LLP is owed \$nil (2009 - \$5,000). All transactions were recorded at their fair value amounts and were incurred in the normal course of business.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in detail in Note 2 of the consolidated financial statements for the year ended December 31, 2010. The Company considers the following policies to be most critical in understanding its financial results:

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on past experience, industry trends and known commitments and events. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. Actual results will likely differ from those estimates.

Carrying value of mineral property costs

The Company has capitalized the cost of acquiring mineral property interests and on-going exploration and maintenance costs. Capitalized property costs are expensed in the period in which the Company determines that the mineral property interests have no future economic value. Capitalized property costs may also be written down if future cash flow, including potential sales proceeds and option payments, related to the property are estimated to be less than the carrying value of the property. The Company reviews the carrying value of its mineral properties periodically, and whenever events or changes in circumstances indicate the carrying value may not be recoverable, reductions in the carrying value of each property would be recorded to the extent that the carrying value of the investment exceeds the property's estimated fair value.

Stock-based compensation

The Company has adopted the fair value based method of accounting for stock option and compensatory warrant awards granted to directors, employees and consultants. Under this method, the fair value of stock options is calculated at the date of grant or vesting and is expensed, capitalized or recorded as share issue costs over the vesting period, with the offsetting credit to contributed surplus. If the stock options are exercised, the proceeds are credited to share capital.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options and compensatory warrants granted. This model is subject to various assumptions. The assumptions the Company makes will likely change from time to time. The methodology, the Company uses, to determine fair value is based on historical information, as well as anticipated future events.

Future Income Taxes

The determination of our future tax assets and liabilities involves significant management estimation and judgment involving a number of assumptions. In determining these amounts we interpret tax legislation in a variety of jurisdictions and make estimates of the expected timing of the reversal of temporary taxable and deductible timing differences. We also make estimates, of our future earnings, which affect the extent to which potential future tax benefits may be used. We are subject to assessment by various taxation authorities, which may interpret tax legislation in a manner different from our view. These differences may affect the final amount or the timing of the payment of taxes. When such differences arise we make provision for such items based on our best estimate of the final outcome of these matters.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (“IFRS”) for financial periods beginning on and after January 1, 2011 replacing Canadian generally accepted accounting principles (“GAAP”). For comparative purposes, the Company will restate amounts reported for the year ended December 31, 2010. The SEC has indicated that foreign private issuers, like the Company, will no longer have to append US GAAP reconciliations to their SEC filings upon their conversion to IFRS.

The key elements, timing and status of the Company’s changeover plan are outlined below:

1. The Company has developed internal knowledge to manage the changeover, design systems and produce IFRS reports. Senior accounting staff has upgraded their knowledge with respect to IFRS through courses, reading and discussions with advisors and will continue their training on an ongoing basis. Additionally, the Company has engaged a major Chartered Accountants firm to provide advice and ensure the accuracy of the transition.
2. The Company has reviewed IFRS accounting policies, standard changes, and GAAP differences required or optional upon conversion, such as IFRS1, and made choices where necessary. See below for further discussion.
3. Since the Company’s last update on November 9, 2010, the Company’s proposed IFRS 1 elections and IFRS policy choices were reviewed and approved by the audit committee. A draft opening IFRS compliant balance sheet and reconciliation was prepared and approved by the Audit Committee subject to final review with the auditors. As the balance sheets are considered draft they will not be presented until approved and finalized.
4. The Company has reviewed its internal and disclosure control processes and concluded no significant ongoing modifications are needed as a result of the conversion to IFRS. However, the Company will implement additional controls to review changes to the Company’s financial statements resulting from the conversion. These controls include an enhanced review by the Company’s executive, Audit Committee and outside advisors.
5. The Company has assessed the impact on IT and data systems and has concluded there will be no significant changes required due to conversion to IFRS.

Financial Statement Impact on Transition to IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the cash flows of the Company, the adoption will result in changes to the reported financial position and results of operations of the Company. A summary of the significant accounting policy changes on transition to IFRS and the impact of those changes on the Company's financial statements are provided below.

IFRS 1 First-Time Adoption of International Financial Reporting Standards

Under IFRS 1 'First-time Adoption of International Financial Reporting Standards', IFRS is applied retrospectively at the transition date except for the application of certain exemptions either required by IFRS 1 or elected by the Company under IFRS 1. Set forth below are the IFRS 1 elected and mandatory exemptions that were applied by the Company on conversion.

Share-based payments

IFRS 1 permits the application of IFRS 2 *Share Based Payments* only to equity instruments that had not vested by the date of transition to IFRS. The Company has applied this exemption and will only apply IFRS 2 for equity instruments that had not vested by January 1, 2010

Business Combinations

IFRS 1 permits the Company's to keep the original GAAP accounting treatment for business combinations that occurred prior to the date of transition to IFRS. The Company has applied this exemption and will not restate business combinations that occurred before January 1, 2010.

Estimates

IFRS 1 specifies that estimates made under prior GAAP are not to be changed on transition to IFRS unless they were in error. Information acquired after the date of the estimate is not to be applied retroactively.

Other IFRS Differences

Significant IFRS differences and policy choices applied by the Company are as follows:

Exploration and Evaluation

IFRS 6 - Exploration and Evaluation of Mineral Resources, allows the Company the option to retain its Canadian GAAP policy of capitalizing exploration and evaluation expenses. The Company has concluded that it is appropriate to continue with this policy.

Income Tax

Acquisitions - Deferred Tax Liability

Under IAS 12 – Income taxes, a deferred tax liability or asset is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit.

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Under Canadian GAAP, a deferred tax liability or asset is recognized in these circumstances and the asset acquired, is adjusted for the amount of the deferred tax recognized.

As a result of the acquisition of US properties by the Company in 2007, a deferred tax liability was recorded under Canadian GAAP at that time. Under IFRS, that amount would not be recorded and has been eliminated from the opening IFRS Balance Sheet.

Under Canadian GAAP the future income tax liabilities relating to a foreign property were calculated in the local tax currency and as a monetary asset or liability, were converted to the functional currency using the current exchange rate. This resulted in the recording of foreign exchange gains or losses on translation. These foreign exchange gains or losses were reversed upon elimination of the related future income tax liability

The expected quantitative impact of the elimination of the deferred tax liability on the transitional IFRS balance sheet and on the December 31, 2010 balance sheet is as follows:

Line Item	Estimated impact as of January 1, 2010	Estimated impact as of December 31, 2010
Mineral Properties (IFRS - Exploration and Evaluation Assets)	Reduction of mineral property acquisition costs by approximately \$14.8 million	Reduction of mineral property acquisition costs by approximately \$7.7 million
Future Income Tax Liability (IFRS - Deferred Income Tax Liability)	Reduction of the future income tax liability by approximately \$13.4 million	Reduction of the future income tax liability by approximately \$6.5 million
Deficit	Approximate increase in the deficit of \$1.4 million	Approximate increase in the deficit of \$1.2 million

Foreign Exchange – Deferred Tax Liability

Under Canadian GAAP deferred taxes on foreign assets and liabilities are calculated in the local tax currency and are converted to the functional currency on the balance sheet date at current exchange rates as discussed above. This method is not allowed under IFRS.

IAS 12 – Income Taxes, requires deferred income taxes to be recognized for temporary differences arising from the difference between the historical exchange rate and the current exchange rate translations of the costs of non-monetary assets and liabilities denominated in currencies other than the Company’s functional currency. The application of this standard to the Company’s US mineral properties will result in a new amount being recorded for deferred income taxes. Under IFRS this expense or recovery will be charged to deferred income tax expense.

The expected quantitative impact of this difference on the transitional IFRS balance sheet and on the December 31, 2010 balance sheet is as follows:

Line Item	Estimated impact as of January 1, 2010	Estimated impact as of December 31, 2010
Future Income Tax Liability (IFRS - Deferred Income Tax Liability)	Recording of a liability of approximately \$85,000	Recording of a liability of approximately \$101,000
Deficit	Approximate increase in the deficit of \$85,000	Approximate increase in the deficit of \$101,000

Flow-Through Shares

The treatment of the tax effect of flow-through shares differs under Canadian GAAP and IFRS.

Under Canadian GAAP, share capital is credited with the net proceeds of the financing with no amount allocated to the sale of tax benefits. Upon renunciation of the exploration expenditures to the investors for tax purposes a future income tax liability is recorded in the amount of the estimated future tax savings given up and the offset is charged to share capital.

Under IFRS there is no direct guidance on this issue. Acceptable accounting under the IFRS framework would require an allocation of the flow-through share purchase price between the shares acquired and the tax benefit. The Company has adopted a policy, for these transactions, that matches US GAAP treatment by allocating the market value of the shares to the flow-through shares and any premium over the market value to the tax benefit purchased. The tax benefit amount is recorded as a liability at the time of the financing. In future periods, when the exploration expenditures have been made that qualify the transfer of tax benefits and renunciation of the benefit to the investor has been filed or is likely to be filed, the liability is settled and an offset is recorded to deferred income tax expense. At the time of the exploration expenditure, as the Company's policy is to capitalize exploration expenditures, a deferred tax liability will be created as the expenditures will have no tax basis.

As there is no exemption under IFRS for retrospective application of this difference, the effect of flow-through share financings from inception on the transitional and December 31, 2010 balance sheets is as follows:

Line Item	Estimated impact as of January 1, 2010	Estimated impact as of December 31, 2010
Share Capital	Approximate increase of \$2.3 million	No additional change.
Deficit	Approximate increase of \$2.3 million	No additional change.

Share-Based Payments

As of December 31, 2009, the Company's method of valuing share-based payments was generally in compliance with IFRS. Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value was amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

However, for contractors who provide services that are similar to those provided by employees, the measurement date for stock option valuation is the grant date under IFRS and the date the services are fully provided, usually the vesting date, under Canadian GAAP.

The expected quantitative impact on the transition and December 31, 2010 balances sheets is a follows:

Line Item	Estimated impact as of January 1, 2010	Estimated impact as of December 31, 2010
Contributed surplus	Approximate decrease of \$120,000	Approximate decrease of \$82,000
Deficit	Approximate decrease of \$120,000	Approximate decrease of \$82,000

Asset Retirement Obligation (ARO)

At period end December 31, 2010, the Company recognized an ARO, which meets the recognition criteria of both IFRS and Canadian GAAP. However, a difference exists between IFRS and Canadian GAAP in the discount rate used to calculate present value. Under both methods, present value should be used where the effect of the time value of money is material. Under IFRS, the Company would use a risk-free rate of 3.5% to calculate present value, however, under Canadian GAAP, the Company used a credit adjusted risk free-rate of 8%; a proxy for this rate is the incremental cost of borrowing. The expected quantitative impact on transition to IFRS is as follows:

Line Item	Estimated impact as of January 1, 2010	Estimated impact as of December 31, 2010
Asset retirement Obligation	\$Nil	Approximate increase of \$300,000
Deficit	\$Nil	Approximate increase of \$300,000

Disclosure and Financial Statement Presentation

In addition to the above noted GAAP differences, there will be additional disclosures and changes in financial statement presentation and format. For example, additional disclosure will be included in future statements for related party transaction, executive compensation and property plant and equipment. Procedures have been implemented to ensure compliant disclosure.

The information provided here on expected GAAP differences, and their estimated impacts are only management’s estimates and actual impacts and elections may differ once IFRS compliant financial statements are finalized. The Company expects to be IFRS compliant within the required timelines.

OUTSTANDING SHARE DATA

As at March 31, 2011, the Company had the following common shares and stock options outstanding:

Common shares	214,338,674
Stock options ¹	7,534,000
Fully diluted share capital	221,872,674
Stock options subject to shareholder approval ¹	3,491,696

1. Each option entitles the holder to acquire one common share of the Company

DISCLOSURE CONTROLS AND PROCEDURES

The CEO and CFO have evaluated the effectiveness of the Company’s disclosure controls and procedures and have concluded, based on their evaluation, that they were effective as of December 31, 2010 to provide reasonable assurance that all material information relating to the Company and its consolidated subsidiaries will be made known to management and disclosed in accordance with applicable securities regulations.

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate the effectiveness of the Company's internal control over financial reporting. Based on this assessment, performed after the year end, management has concluded that as at December 31, 2010, the Company's internal control over financial reporting was effective.

The Company's auditor, De Visser Gray LLP, has audited the Company's internal control over financial reporting as at December 31, 2010 and their opinion and report is included with our annual consolidated financial statements.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the fiscal year 2010, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

ADDITIONAL INFORMATION

Additional information on the Company, including our Annual Information Form and other public filings, are available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis ("MD&A") and the documents incorporated by reference herein contain "forward-looking information" within the meaning securities legislation, including the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation, and are collectively referred to herein as "forward-looking statements". These forward-looking statements are made as of the date of this MD&A or, in the case of documents incorporated by reference herein, as of the date of such documents. Other than as specifically required by applicable securities laws, the Company does not intend, and does not assume any obligation, to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results or otherwise.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and represent management's best judgement based on facts and assumptions that management considers reasonable, including that the demand for gold and base metal deposits develops as anticipated, that operating and capital plans will not be disrupted by issues such as mechanical failure, unavailability of parts and supplies, labour disturbances, interruption in transportation or utilities, or adverse weather conditions, and that there are no material unanticipated variations in the cost of energies or supplies. The Company makes no representation that reasonable business people in possession of the same information would reach the same conclusions.

Forward-looking statements, in this document, include, but are not limited to statements regarding costs and timing of the development of new deposits, success of exploration and development activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of exploration operations, environmental risks, unanticipated reclamation expenses, title disputes or claims. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, future prices of gold and other metals; possible variations in mineralization, grade or recovery rates; actual results of current exploration activities; actual results of reclamation activities; conclusions of future economic evaluations; changes in project parameters as plans continue to be refined; failure of plant, equipment, or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays and other risks related to joint venture operations; timing and receipt of regulatory approvals of operations; the ability of the Company and other relevant parties to satisfy regulatory requirements; the availability of financing for proposed transactions and programs on reasonable terms; the ability of third-party service providers to deliver services on reasonable terms and in a timely manner; and delays in the completion of development or construction activities. Other factors that could cause the actual results to differ include market prices, results of exploration, availability of capital and financing on acceptable terms, inability to obtain required regulatory approvals, unanticipated difficulties or costs in any rehabilitation which may be necessary, market conditions and general business, economic, competitive, political and social conditions. Additional factors are discussed in the section titled “*Risks & Uncertainties*” above. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements, there may be other factors which cause actual results to differ. Accordingly, readers should not place undue reliance on forward-looking statements.

Although management of the Company has attempted to identify important factors (which it believes are reasonable) that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable securities laws.

APPROVAL

The Board of Directors, upon the recommendation of the Audit Committee, has approved the disclosure contained in this MD&A.