

RICHMOND MINERALS INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 and 2008

AUDITORS' REPORT

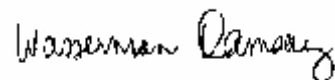
To the Shareholders of
Richmond Minerals Inc.:

We have audited the balance sheets of Richmond Minerals Inc. as at May 31, 2009 and 2008 and the statements of income (loss) and comprehensive income (loss), deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2009 and 2008 and the results of operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

September 16, 2009
Markham, Ontario



Chartered Accountants
Licensed Public Accountants

RICHMOND MINERALS INC.
BALANCE SHEETS - May 31, 2009 and 2008

ASSETS	May 31 2009	May 31 2008
	\$	\$
Current		
Cash and cash equivalents	44,243	30,411
GST and QST receivable	58,851	30,690
Cash held for future exploration (Note 4)	-	983,098
	<u>103,094</u>	<u>1,044,199</u>
Office equipment	29,809	2,581
Accumulated amortization	(3,304)	(1,094)
	<u>26,505</u>	<u>1,487</u>
Mineral resource properties (Note 5)	<u>2,191,573</u>	<u>1,971,240</u>
	<u><u>2,321,172</u></u>	<u><u>3,016,926</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	38,012	58,211
Loan payable (Note 6)	72,838	-
	<u>110,850</u>	<u>58,211</u>
Future income taxes	<u>-</u>	<u>101,697</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	14,483,143	14,346,431
Contributed surplus (Note 12)	152,560	113,760
Deficit	(12,425,381)	(11,603,173)
	<u>2,210,322</u>	<u>2,857,018</u>
	<u><u>2,321,172</u></u>	<u><u>3,016,926</u></u>

Approved on behalf of the Board

"Birks Bovaird" "Robert Leinster"
 Director Director

The accompanying notes form an integral part of these financial statements

RICHMOND MINERALS INC.
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED MAY 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
	\$	\$
Revenue		
Interest income	10,733	-
General and administrative expenses		
Management fees	52,000	45,000
Professional fees	16,887	27,123
General and administrative	60,811	53,882
Interest and bank charges	3,239	516
Shareholders' information and filing fees	15,688	53,048
Consulting fees	36,565	20,048
Stock-based compensation	38,800	59,400
Amortization	2,209	371
	<u>226,199</u>	<u>259,388</u>
Net loss for the year before undernoted item	(215,466)	(259,388)
Property write down	(708,439)	-
Net loss for the year before income taxes	<u>(923,905)</u>	<u>(259,388)</u>
Future income tax (recovery)	<u>(101,697)</u>	<u>(341,500)</u>
Net income (loss) and comprehensive income (loss) for the year	(822,208)	82,112
Net income (loss) per share - basic and diluted	<u>(0.014)</u>	<u>0.002</u>
Weighted average number of shares outstanding	<u>58,508,743</u>	<u>50,529,912</u>

STATEMENTS OF DEFICIT

Deficit, beginning of year	(11,603,173)	(11,685,285)
Net income (loss) for the year	<u>(822,208)</u>	<u>82,112</u>
Deficit, end of year	<u>(12,425,381)</u>	<u>(11,603,173)</u>

The accompanying notes form an integral part of these financial statements

RICHMOND MINERALS INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
	\$	\$
Cash was provided by (used in) the following activities:		
Operating		
Net income (loss) for the year	(822,208)	82,112
Add: Item not involving an outlay of cash		
Amortization	2,209	371
Stock-based compensation expense	38,800	59,400
Property write down	708,439	-
Future income tax	(101,697)	(341,500)
Net change in non-cash working capital items (Note 11)	24,478	11,683
	<u>(149,979)</u>	<u>(187,934)</u>
Financing		
Issuance of common shares for cash	136,712	1,256,657
Issuance of common shares for debt settlement	-	-
Issuance of common shares for property acquisition	-	-
Cash held for future exploration	983,098	(572,474)
	<u>1,119,810</u>	<u>684,183</u>
Investing		
Deferred exploration expenditures	(928,771)	(507,747)
Acquisition of office equipment	(27,228)	-
	<u>(955,999)</u>	<u>(507,747)</u>
Net change in cash and cash equivalents	13,832	(11,498)
Cash, beginning of period	<u>30,411</u>	<u>41,909</u>
Cash and cash equivalents, end of period	<u><u>44,243</u></u>	<u><u>30,411</u></u>

The accompanying notes form an integral part of these financial statements

RICHMOND MINERALS INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2009 AND 2008

1. Nature of operations and going concern assumption

Richmond Minerals Inc. (the "Company") was incorporated under the laws of the Province of Ontario. The Company is engaged in base and precious metal mining and related activities, including exploration and development in Northern Ontario and Quebec.

The Company, directly and through joint ventures, is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

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

As at May 31, 2009, the Company has no source of operating cash flows. The Company's ability to meet its obligations and continue as a going concern is dependent on the ability to identify and complete future financings. While the Company has been successful in raising financings to date, there can be no assurance that it will be able to do so in future.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern and do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used that would be necessary if the going concern assumption was not appropriate.

2. Summary of significant accounting policies

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(a) Cash and cash equivalents

Cash and cash equivalents, including cash held for future exploration (see Note 4), consist of cash and investments in demand guaranteed investment certificates.

(b) Marketable securities

Marketable securities are carried at the lower of cost and market.

(c) Financial Instruments – Recognition and Measurement

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. All derivatives are recorded on the balance sheet at fair value. Mark-to-market adjustments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship.

RICHMOND MINERALS INC.
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All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular way purchases and sales of financial assets are accounted for on the trade date.

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable and loan receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and loan payable are classified as other financial liabilities, which are measured at amortized cost, using effective interest rate method.

(d) Mineral resource properties and deferred exploration expenditures

The Company carries its mineral resource properties at cost. Exploration expenditures relating to these properties, reduced by sundry income, are charged to deferred expenditures as incurred. If the property is brought into commercial production, the deferred expenditures will be amortized using the unit of production method based on the proven and probable ore reserves of the mine. Should an entire group of mining claims in an area be disproved or abandoned, the related acquisition costs and exploration expenditures will be written off. If the Company surrenders an interest in a property, any proceeds from the disposition of that part of the property is applied to reduce the carrying cost of the property to zero prior to any gain being recognized on the partial disposition.

The net carrying value of mineral properties does not represent the present or future realizable value of such properties. The realization of these assets is dependent upon confirmation of the Company's ownership interest in the claims and attaining viable commercial operations or proceeds from disposition.

An impairment loss will be recognized on a mineral property when the carrying value of the property is not recoverable and exceeds its fair value. Mineral properties are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The factors to be considered by management in this determination include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors.

(e) Property, plant and equipment

Property, plant and equipment, consisting of office equipment, is carried at cost and is depreciated using the declining balance method at a rate of 20%. In the year of acquisition, one-half of the normal depreciation is recorded.

(f) Stock-based compensation

The Company has a common share purchase option plan that is described in Note 7. The CICA Handbook, Section 3870, establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments for goods and or services. The section requires that awards of stock be measured at fair value.

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(g) Income taxes

The Company has adopted the liability method of accounting for income taxes in accordance with the recommendations of the Canadian Institute of Chartered Accountants. Future income tax relates to the expected consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment or substantive enactment.

(h) Comprehensive Income

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self sustaining foreign operations, all of which are not included in the calculation of net earnings until the period that the related asset or liability affects income.

(i) Earnings per share

The Company has adopted the recommendations of the CICA Handbook Section 3500 "Earning per Share" ("EPS"). The section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the recommendations require the use of the treasury stock method to compute the dilutive effects of options, warrants, and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the calculation of basic and diluted EPS.

(j) Asset retirement obligations

Effective June 1, 2004, the Company adopted CICA 3110 "Asset Retirement Obligations" which requires that the estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

An obligation has not been recorded with respect to asset retirement obligations (i.e. environmental remediation) for the Company's exploration and development properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant.

(k) Long-lived assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an

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impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

(l) Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

Effective March 19, 2004, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants issued EIC-146 under which the Company is required to recognize the future income tax liability created upon the issuance of flow-through shares, and to treat it as a cost of issuing the flow-through shares.

(m) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities on the date of the financial statements and the reported amount of the revenue and expenses during the period. Actual results could differ from such estimates.

3. Changes in Accounting Policies

Future Accounting Changes

The CICA issued the following three new accounting standards in January 2009. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of these three new standards.

Business Combinations

CICA Handbook Section 1582 "Business Combinations" replaces Section 1581 "Business Combinations" and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 – Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Consolidations and Non-Controlling Interests

CICA Handbook Sections 1601 "Consolidations" and 1602 "Non-Controlling Interests" together replace Section 1600 "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides the Canadian equivalent to International Accounting Standard 27 "Consolidated and Separate Financial Statements" for non-controlling interests. This section is applicable for years beginning on or after January 1, 2011.

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International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with IFRS by 2011. The Company's changeover plan to adopt IFRS encompasses review of and possible changes to its accounting policies, information technology and data systems, internal control over financial reporting, disclosures controls and procedures, financial expertise and training and certain business matters, such as compensation arrangements. The Company is in the process of assessing the impact of the various elements of the changeover plan.

4. Cash held for future exploration

	May 31	
	2009	2008
Cash held for future exploration	<u>nil</u>	<u>\$983,098</u>

During the prior year, the Company raised \$1,227,012 in a flow-through share offering of which \$983,098 had not been expended by May 31, 2008. As these funds were committed to Canadian Exploration Expenditures ("CEE"), they were not available for current working capital purposes. At May 31, 2009, all of these funds have been expended on CEE.

5. Mineral resource properties

	May 31	
	2009	2008
Opening balance	\$1,971,240	\$1,263,493
Current period deferred exploration expenditures	928,772	805,518
Acquisition of mining properties	-	238,317
Mineral property write-down	(708,439)	-
Refundable tax credit received, Province of Quebec	-	(336,088)
Balance, end of period	<u>\$2,191,573</u>	<u>\$1,971,240</u>

	May 31	
	2009	2008
Represented by:		
Swayze Township, Thunder Bay Mining Division (Note 5(a))	\$ 1	\$ 1
Lac Colombet, Province of Quebec (Note 5(b))	350,397	345,824
Guibord Township, Highway 101 (Note 5(c))	177,242	78,528
Fort Chimo (Note 5(d))	1,663,932	845,074
Triple Lake (Note 5(e))	1	411,637
Mistamisk (Note 5(f))	-	290,176
	<u>\$2,191,573</u>	<u>\$1,971,240</u>

- (a) The Company holds a 100% interest in a group of 65 contiguous unpatented mining claims and a 50% interest in 35 claims located in the Swayze Area, Porcupine Mining Division,

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Ontario. In 2006, these claims were written down to a nominal amount as management concluded additional work was not justified and a legal claim remains outstanding.

(b) The Company has a 100% interest, subject to a 2% net smelter return royalty, in 86 mining claims (the "Lac Colombet" property) located in the north eastern portion of the Province of Quebec, near the Labrador border.

(c) The Company has a 100% interest, subject to a 2% net smelter return royalty, in 32 mining claims (the "Highway 101" property) located in the northwest corner of Guibord Township, Larder Lake Mining Division, District of Cochrane, Ontario.

(d) By an option agreement dated May 9, 2006 with Fort Chimo Minerals Inc. ("Fort Chimo"), the Company entered into an agreement to acquire an undivided 50% interest in more than 30 separate properties in the Grenville geological region of the Province of Quebec (the "Agreement"). Pursuant to the terms of the Agreement, the Company issued 1,000,000 common shares to Fort Chimo and is required to spend \$2,000,000 to explore the property over a two year period. Fort Chimo granted the Company an extension to the joint venture earn-in period to May 9, 2009 due to delays pertaining to aboriginal negotiations. At May 31, 2009, 243 claims are in good standing.

The first phase of the exploration work was completed during 2007 and consisted of airborne geophysical surveys over two of the key properties. Based on the results of this initial work on these properties, the Company elected to proceed and, at May 31, 2009, had spent in excess of \$2,000,000.

One of the directors of Fort Chimo is also a director of the Company. This director abstained from voting at the meeting of directors approving the transaction.

(e) By a vend-in agreement dated October 3, 2007, the Company acquired a 100% interest in 34 mining claims located in the Townships of McArthur, Bartlett and Musgrove, in the Larder Lake Mining Division, in the Province of Ontario, subject to a 3% net smelter return royalty on the property ("Triple Lake"). During the current year, the Company concluded that additional work on this property was not justified and wrote the property down to \$1.

(f) By option agreement dated July 13, 2007, the Company acquired a 100% interest in 98 mineral claim licences located 200 km northwest of Schefferville, in the Province of Quebec, subject to a 3% net smelter return royalty (the "Mistamisk Property"). The Company paid cash of \$25,000 and issued 1,000,000 common shares at a price of \$0.13 per share with further payment of 4,400,000 shares to be issued in two years from the signing of the agreement. The Company spent a total of \$290,176 on this property and concluded that additional work was not justified, the option was dropped and the property was written off during the year ended May 31, 2009.

6. Loan Payable

The loan payable bears interest at 8% per annum and is due November 30, 2009. At the option of the Company and the lender the accumulated principal and interest may be converted to common shares at the average market price during the 30 days prior to conversion. The Company received the loan proceeds on November 28, 2008 and granted the lender an option to acquire 300,000 common shares of the Company at \$0.10 per share expiring December 9, 2013.

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7. Share capital

(a) Authorized
 Unlimited number of common shares without par value.

	May 31 2009		May 31 2008	
	<u># of shares</u>	<u>Amount</u>	<u># of shares</u>	<u>Amount</u>
Opening balance	57,549,839	14,346,431	43,576,792	13,311,831
Private placement for cash (i)	2,800,000	140,000	11,154,654	1,227,012
Shares issued for debt settlement (ii)	-	-	400,000	40,000
Shares issued for finders' fees (i)	-	-	728,393	80,123
Exercise of stock options	-	-	390,000	60,140
Shares issued for mining properties	-	-	1,300,000	160,000
Less share issue costs	-	(3,288)	-	(532,675)
Closing balance	<u>60,349,839</u>	<u>14,483,143</u>	<u>57,549,839</u>	<u>14,346,431</u>

(i) On January 26, 2009 the Company completed a non-brokered private placement of 2,800,000 units at \$0.05 per unit for gross proceeds of \$140,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for \$0.10 per share until January 25, 2010. An amount of \$22,600 was allocated to the warrants based on the Black-Scholes option formula using the following assumptions; dividend yield of 0%, expected volatility of 115%, risk-free interest rate of 0.93% and expected life of 12 months. In addition, share issue costs of \$3,288 were incurred and charged to share capital.

During the prior year, the Company completed a non-brokered private placement for 11,154,654 flow-through shares for gross proceeds of \$1,227,012. An aggregate of cash \$9,355, 728,393 common shares and 728,393 broker warrants were issued as finder's fees. Each broker warrant is exercisable into one common share at a price of \$0.30 for the first year and at \$0.50 per share in the second year.

The Company recognized a future income tax liability in the amount of \$443,197 related to this private placement. This amount has been recorded as a share issue cost. The future income tax liability has been offset through the recognition of previously unrecognized loss carry forwards.

(ii) During the prior year, the Company settled \$40,000 in debt by issuing 400,000 shares at a price of \$0.10 per share.

Stock Options

The Company has a common share purchase option plan (the "Plan") for directors, officers, and employees. Options granted under the Plan have a five year term and vest immediately. Options are generally granted at market price but a certain discount from market is allowed depending on the price at which the shares trade.

RICHMOND MINERALS INC.
NOTES TO FINANCIAL STATEMENTS
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A summary of the Company's options at May 31, 2009 and May 31, 2008 and the changes for the year is presented below:

	Options Outstanding	Weighted-Average Exercise Price
At May 31, 2007	1,750,000	\$0.11
Granted	1,300,000	\$0.10
Exercised	(390,000)	\$0.10
Expired/Cancelled	(100,000)	\$0.10
At May 31, 2008	2,560,000	\$0.10
Granted	2,400,000	\$0.10
Exercised	-	-
Expired/Cancelled	(444,000)	\$0.11
Balance, May 31, 2009	<u>4,516,000</u>	<u>\$0.10</u>

The following table summarizes information about the options outstanding at May 31, 2009:
At May 31, 2009

Exercise Price	Options Outstanding and Exercisable	Remaining Contractual Life
\$0.10	100,000	0.4 years
\$0.10	300,000	0.6 years
\$0.10	50,000	0.8 years
\$0.12	376,000	1.8 years
\$0.10	700,000	2.4 years
\$0.10	890,000	3.2 years
\$0.10	1,300,000	4.4 years
\$0.10	400,000	4.5 years
\$0.10	400,000	4.6 years
	<u>4,516,000</u>	<u>3.3 years</u>
At May 31, 2008		
Exercise Price	Options Outstanding and Exercisable	Remaining Contractual Life
\$0.10	100,000	1.4 years
\$0.10	50,000	1.6 years
\$0.12	500,000	2.8 years
\$0.10	610,000	3.4 years
\$0.10	1,300,000	4.1 years
	<u>2,560,000</u>	<u>3.6 years</u>

In determining the stock-based compensation expense the weighted average fair value of the options granted was estimated to be \$38,800 (2008 - \$59,400) using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0% (2008 - 0%), expected volatility of 115% (2008 - 115%), risk-free interest rate of 0.93% - 2.73% (2008 - 4.25%) and expected life of 12 - 60 months (2008 - 60 months).

The weighted average per share value of options issued during the year was \$0.02 (2008 - \$0.05).

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Share Purchase Warrants

A summary of the Company's warrants at May 31, 2009 and May 31, 2008 and the changes for the years then ended are presented below:

	Warrants Outstanding	Weighted Average Exercise Price
At May 31, 2007	16,169,899	\$0.20
Granted	728,393	\$0.30
Expired	<u>(7,399,899)</u>	<u>\$0.25</u>
Balance May 31, 2008	9,498,393	\$0.17
Granted	2,800,000	\$0.10
Expired	<u>(8,770,000)</u>	<u>\$0.24</u>
Balance May 31, 2009	<u>3,528,393</u>	<u>\$0.18</u>

The following table summarizes information about the share purchase warrants and broker's warrants outstanding at May 31, 2009 and May 31, 2008:

At May 31, 2009

Exercise Price	Warrants Outstanding and Exercisable	Remaining Contractual Life
\$0.10	2,800,000	0.7 years
\$0.50	<u>728,393</u>	<u>0.5 years</u>
	<u>3,528,393</u>	<u>0.6 years</u>

At May 31, 2008

Exercise Price	Warrants Outstanding and Exercisable	Remaining Contractual Life
\$0.16	8,770,000	0.6 years
\$0.30	<u>728,393</u>	<u>1.6 years</u>
	<u>9,498,393</u>	<u>0.7 years</u>

8. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the combined Federal and Provincial statutory tax rate of 34.00% (2008 - 36.12%) to the net loss for the year for reasons noted below:

	<u>2009</u>	<u>2008</u>
Income tax recovery based on statutory rate	<u>\$(314,128)</u>	<u>\$(93,691)</u>
Actual tax provision per financial statements	\$(101,697)	\$ (341,500)
Non-deductible items for tax purposes	(254,230)	(22,093)
Recognition of loss carryforward to offset future income tax liability	<u>41,799</u>	<u>269,902</u>
	<u>\$(314,128)</u>	<u>\$(93,691)</u>

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The Company has non-capital losses carry-forwards of approximately \$966,799 which can be used to reduce future taxable income. The potential benefit of these losses has been recognized in these financial statements to offset the future income tax liability recognized on flow through share renunciation. The losses will expire, if unused, as follows:

2010	\$ 40,571
2014	55,340
2015	169,621
2026	264,225
2027	262,042
2029	<u>175,000</u>
	<u>\$ 966,799</u>

In addition, the Company has approximately \$231,500 in Canadian Exploration Expenditures ("CEE"), \$440,400 in Canadian Development Expenditures and \$113,000 in Earned Depletion Base, which may be applied against certain profits realized on its mining properties. None of the benefits of these tax pools have been recognized in these financial statements.

The components of future income taxes assets (liabilities) at enacted tax rates is as follows:

	<u>2009</u>	<u>2008</u>
Resource properties, deferred costs and equipment	\$(86,300)	\$(558,791)
Loss carry-forwards	<u>86,300</u>	<u>457,094</u>
	<u>\$ -</u>	<u>\$(101,697)</u>

9. Contingencies

In March 1990, an individual launched a lawsuit against the Company along with other individuals and companies in regard to a flow-through financing arrangement carried out by the defendants. In connection with this lawsuit, a lien has been placed on the Company's mining interest in the Swayze Area, Porcupine Mining District, Province of Ontario (see Note 5(a)). The Company's involvement is limited to certain project fees earned in consideration for services and supplies provided to the project. Management believes that the claim has no merit and is unlikely to succeed. The Company's management and certain other defendants in the action have made a counter claim for damages for \$20,000,000.

10. Commitments

The Company has signed an operating lease for its premises under which it is committed to the following remaining minimum lease payments for the fiscal years ending May 31:

2010	30,616
2011	<u>30,616</u>
	<u>\$ 61,232</u>

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11. Supplemental cash flow information

Net change in non-cash working capital:

	2009	2008
	\$	\$
Accounts payable and accrued liabilities	(20,199)	20,968
Loan payable	72,838	-
Sundry and prepaid expenses	-	9,139
GST and sundry receivables	<u>(28,161)</u>	<u>(18,424)</u>
	<u>24,478</u>	<u>11,683</u>

Non-cash investing and financing activities:

Common shares issued for mining properties	<u>-</u>	<u>160,000</u>
Shares issue costs	<u>-</u>	<u>523,320</u>
Common shares issued – for debt settlement	<u>-</u>	<u>40,000</u>
Amount transferred to common shares on exercise of stock options	<u>-</u>	<u>21,140</u>
Cash paid for interest	<u>-</u>	<u>-</u>
Cash paid for income tax	<u>-</u>	<u>-</u>

12. Contributed surplus

At May 31, 2007	\$75,500
Stock based compensation expense	59,400
Transferred to common shares on exercise of stock options	<u>(21,140)</u>
Balance May 31, 2008	\$113,760
Stock based compensation expense	<u>38,800</u>
Balance May 31, 2009	<u>\$ 152,560</u>

13. Capital Management

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

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The properties in which the Company currently has an interest are in the exploration stage. Accordingly, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for its administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended May 31, 2009. The Company is not subject to externally imposed capital requirements.

14. Financial Risk Factors

The Company's financial risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to amounts receivable and a loan receivable. The Company has no significant credit risk arising from operations. Financial instruments included in amounts receivable consist primarily of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk with respect to these financial instruments is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash to meet liabilities when due. As at May 31, 2009, the Company had a cash and cash equivalents balance of \$44,243 (May 31, 2008 - \$30,411) to settle current liabilities of \$110,850 (May 31, 2008 - \$58,211). All of the Company's financial liabilities have contractual maturities of less than one year and are subject to normal trade terms. The Company's ability to continue operations and fund its business is dependent on management's ability to secure additional financing. It is anticipated that the Company will continue to rely on equity financing to meet its ongoing working capital requirements. In the current global economic and liquidity crisis, management will carefully monitor its cash balances over the course of the next 12 to 24 months and may postpone material exploration expenses if the liquidity crisis does not improve, so as to protect the Company's working capital.

Market risk

(a) Interest rate risk

At May 31, 2009, the Company has cash balances and an interest bearing loan payable. The Company's current policy is to invest cash in investment-grade short-term deposit certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its bank. The Company considers interest rate risk to be minimal as investments are short-term. The Company does carry interest bearing debt due November 29, 2009. It is expected that future financings will be secured from equity placements.

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(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes that the foreign exchange risk from currency conversions is negligible.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity to Financial Risks

The Company has designated its cash equivalents as held-for-trading, measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying amounts for cash equivalents, amounts receivable and accounts payable and accrued liabilities and loan payable on the balance sheet approximate fair value because of the limited terms of these instruments. The fair value of the loan receivable approximates carrying value as the interest rate approximates the current rate for similar instruments. There were no changes in the year ended May 31, 2009 that occurred that were attributed to financial risks.

The Company considers interest rate risk to be minimal as investments and the loan payable are short-term. It is expected that future financings will be secured from equity placements.

The Company does not hold any balances in foreign currencies to give rise to foreign exchange risk.

Price risk is remote since the Company is not a producing entity.

15. Related Party Transactions

On January 26, 2009 the Company completed a non-brokered private placement of 2,800,000 units as described in Note 7 (b) (i) above. Management purchased a total of 300,000 of these units.

16. Subsequent events

On June 15, 2009, 800,000 stock options were granted to certain directors and officers pursuant to the Stock Option Plan approved by the shareholders on November 30, 2007. These options are exercisable at \$0.10 per share, vested upon grant and expire June 15, 2014.

On September 2, 2009, the Company entered into an earn in option agreement with Vendome Capital II Corp. (the "Optionee") whereby the Optionee may earn a 51% interest in the Highway 101 Property upon the payment of a total of \$25,000 and the issuance of 600,000 shares to the Company within one year of signing the agreement and spending a minimum of \$250,000 on exploration of the property within two years of receipt of regulatory approval of the transaction