



**GOLDEN DORY RESOURCES CORP.**  
(an exploration stage company)

**Consolidated Financial Statements**

**For the Three Months ended September 30, 2009 and 2008**

**Golden Dory Resources Corp.**  
**(an exploration stage company)**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

*"Kevin Keats"*

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Kevin Keats  
President and Chief Executive Officer

November 30, 2009

**Golden Dory Resources Corp.**  
**(an exploration stage company)**  
**Consolidated Balance Sheet**  
(UNAUDITED - PREPARED BY MANAGEMENT)

	<b>September 30, 2009 (Unaudited)</b>	<b>June 30 2009 (Audited)</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 45,243	\$ 133,674
Accounts receivable	143,566	156,819
Prepaid expenses	1,656	3,313
	190,465	293,806
<b>Long Term</b>		
Property, plant and equipment (Note 5)	362,270	204,270
Interest in mining properties (Note 6)	30,925	32,552
	\$ 583,660	\$ 530,628
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 95,963	\$ 28,278
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 7(a))	2,204,060	2,087,685
Warrants (Note 7(b))	772,525	738,400
Contributed Surplus (Note 79 (c))	53,400	53,400
Deficit	(2,542,288)	(2,377,135)
	487,697	502,350
	\$ 583,660	\$ 530,628

**APPROVED BY THE BOARD**

"Kevin Keats"

"Steve Stares"

Kevin Keats  
CEO

Steve Stares  
Director

The accompanying notes are an integral part of the financial statements

**Golden Dory Resources Corp.**  
**(an exploration stage company)**  
**Statement of Consolidated Operations and Comprehensive Loss**  
(UNAUDITED - PREPARED BY MANAGEMENT)

	<b>Three months ended September 30</b>	
	<b>2009</b>	<b>2008</b>
<b>REVENUE</b>		
Rental Income	-	\$ 2,735
 <b>EXPENSES</b>		
Amortization	290	1,421
Corporate communications and trade shows	8,740	20,017
Listing, filing and transfer agent fees	9,083	3,651
Interest & bank charges	192	7,667
Mineral exploration expenses (Note 8)	96,005	-
Office and miscellaneous	3,632	6,638
Professional fees	13,000	153,484
Travel and accomodation	11,074	8,916
Wages and salaries	23,136	20,802
Write down of mining properties	-	27,835
	165,152	250,431
<b>Loss for the period</b>	<b>\$ (165,152)</b>	<b>\$ (247,696)</b>
<b>Loss per share</b>	<b>\$ (0.006)</b>	<b>\$ (0.022)</b>
<b>Weighted average number of shares</b>	<b>29,576,574</b>	<b>11,187,851</b>

The accompanying notes are an integral part of the financial statements

**Golden Dory Resources Corp.**  
**(an exploration stage company)**  
**Consolidated Statement of Deficit**  
(UNAUDITED - PREPARED BY MANAGEMENT)

	<b>Three months ended</b>	
	<b>September 30</b>	
	<u><b>2009</b></u>	<u><b>2008</b></u>
Deficit, beginning of period	\$(2,377,136)	\$ (357,115)
Adjustment, reverse takeover accounting	-	(93,393)
Net loss for the period	(165,152)	(247,696)
Deficit, end of period	<u><u>\$ (2,542,288)</u></u>	<u><u>\$ (698,203)</u></u>

The accompanying notes are an integral part of the financial statements

**Golden Dory Resources Corp.**  
**(an exploration stage company)**  
**Consolidated Statement of Cash Flows**  
(UNAUDITED - PREPARED BY MANAGEMENT)

	<b>Three months ended September 30</b>	
	<b>2009</b>	<b>2008</b>
<b>Operating activities</b>		
Net loss for the period	\$ (165,152)	\$ (247,696)
Items not affecting cash		
Amortization	1,628	1,421
Changes in non-cash balances		
Accounts Receivable	13,253	(69,998)
Prepaid expenses	1,656	-
Accounts payable and accrued liabilities	67,685	(447,468)
<b>Total cash used in operating activities</b>	<b>(80,930)</b>	<b>(763,741)</b>
<b>Investing activities</b>		
Purchases of property, plant and equipment	-	(3,700)
Interest in mineral exploration properties	(158,000)	(271,715)
<b>Total cash used in investing activities</b>	<b>(158,000)</b>	<b>(275,415)</b>
<b>Financing activities</b>		
Issuance of common stock	150,500	2,030,132
Share issue costs	-	(359,099)
<b>Total cash provided by financing activities</b>	<b>150,500</b>	<b>1,671,033</b>
Increase (decrease) in cash during the period	(88,430)	631,877
Cash at beginning of period	133,673	105,441
Cash at end of period	<b>\$ 45,243</b>	<b>\$ 737,318</b>
Cash comprises the following:		
Cash and cash equivalents	\$ 45,243	\$ 737,318
Money market - short term	-	-
	<b>\$ 45,243</b>	<b>\$ 737,318</b>

The accompanying notes are an integral part of the financial statements

**GOLDEN DORY RESOURCES CORP.**  
**(An Exploration Stage Company)**  
**Notes to the Consolidated Financial Statements**  
**As at September 30, 2009**

**1. NATURE OF OPERATIONS**

Golden Dory Resources Corp. (formerly "540 Capital Corp") ("Company") was incorporated on June 7, 2006 under the Business Corporations Act (Alberta). Prior to completion of the reverse takeover with Golden Dory Resources Limited on August 26, 2008 the Company was classified as a capital pool company pursuant to the policies of the TSX Venture Exchange ("Exchange"). The Company was a non-operating public enterprise and did not meet the definition of a business under the CICA Handbook EIC -124; therefore, the Acquisition did not constitute a business combination under the provision of EIC- 10. Accordingly, the Acquisition has been accounted for as a capital transaction rather than a business combination.

**REVERSE TAKEOVER**

On August 26, 2008, the Company completed its Qualifying Transaction as defined under the policies of the Exchange, with Golden Dory Resources Limited (DORY) pursuant to which the Company acquired all of the issued and outstanding common shares and common share purchase warrants of DORY. Pursuant to the Acquisition, the Company issued 9,361,000 common shares and 2,626,000 common share purchase warrants at exercise prices of \$0.40 (2,491,000 shares) and \$0.45 (135,000 shares).

The Company changed its name to Golden Dory Resources Corp. on November 19, 2008.

**2. GOING CONCERN**

The Company is an exploration stage company, and is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The accompanying financial statements have been prepared on the basis of Canadian generally accepted accounting principles ("GAAP") applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital. Specifically, the recovery of the Company's investment in mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop its properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has working capital in the amount of \$94,500 (September 30, 2008 - \$811,892) and has a deficit in the amount of \$2,542,288 (September 30, 2008 - \$698,204). The Company has not earned any revenues to date and is considered to be in the exploration stage.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies used in the preparation of the financial statements are as follows:

**Mineral Properties and Related Costs**

Exploration costs are charged to operations as incurred until such time that proved reserves are discovered. Costs of acquisition of mineral rights and options payments are capitalized until the properties are abandoned or the rights expire.

When proved reserves are discovered, the Company will capitalize all costs to the extent that future cash flows from mineral reserves equals or exceeds the costs deferred. The deferred costs will be amortized over the recoverable reserves when a property reaches commercial production.

**Revenue Recognition**

Recognition of all revenue is subject to the transfer of risk and reward of ownership, reasonable measurement of consideration and ultimate collection is reasonably assured at the time of recognition. As at September 30, 2009 the Company did not earn any commercial income.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Land Reclamation Costs

During the course of acquiring and exploring potential properties, the Company must comply with government regulated environmental evaluation, updating and reclamation requirements. The fair value of the liability is recorded when it is incurred and the corresponding increase to the assets is capitalized as deferred costs until such time as the properties are put into commercial production, at which time the costs incurred will be charged to operations on a unit of- production basis over the estimated mine life. Upon abandonment or sale of a property all deferred costs relating to the property will be expensed in the year of such abandonment or sale.

#### Use of Estimates

The preparation of financial statements in accordance with Canadian 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 at the date of the financial statements and the related reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, resource property values, useful lives for amortization, future income taxes, and determination of fair value for stock based transactions. Actual results could differ from those reported. Management believes that the estimates are reasonable.

#### Income Taxes

The Company accounts for income taxes by the asset and liability method. Under the asset and liability method, future income tax assets and liabilities are recognized for the future income tax attributable to the temporary differences between the financial statement carrying values of existing assets and liabilities and their respective income tax carrying values. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the year in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes that substantive enactment date.

#### Flow-Through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the future income taxes related to the temporary difference arising at the later of renunciation and when the qualifying expenditures are incurred, are recorded at that time together with a corresponding reduction to the carrying value of the shares issued.

#### Stock-Based Compensation

The Company uses the fair value-based method of accounting for stock-based compensation awards based on the Black-Scholes option pricing model with the portion of the fair value of the granted option related to vesting for the period charged to expense with the offset to contributed surplus. On the exercise of stock options, consideration received and the accumulated contributed surplus attributed to the portion exercised is credited to share capital.

#### Property, Plant and Equipment

Purchased property, plant and equipment are recorded at cost, less amortization. Amortization is provided using the declining balance method using annual rates as follows:

Prospecting Equipment	20%
Furniture and Equipment	20%

#### Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. In periods when the

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Company reports a comprehensive loss, the effect of potential issuances of shares under options and warrants would be anti dilutive, and therefore, basic and diluted loss per share are the same. The assumed conversion of outstanding common share options and warrants has an anti dilutive impact in 2009 and 2008.

#### Asset Retirement Obligation

CICA 3110, "Asset Retirement Obligations" requires companies to record the fair value of an asset retirement obligation as a liability in the period in which it incurred a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The obligation is measured initially at fair value using discounted future cash flows and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability will be adjusted for any changes in the amount or timing of the underlying future cash flows. Capitalized asset retirement costs are depreciated on the same basis as the related asset and the discounted accretion of the liability is included in determining the results of operations.

The Company has only performed preliminary exploratory work on its mineral properties and has not incurred significant reclamation obligations.

#### Impairment of Long-lived Assets

The Company periodically evaluates the future recoverability of its long-lived assets. In the situation that events and circumstances indicate impairment is probable, impairment losses or write-downs are measured as the difference between the carrying amount and the fair value. If fair value cannot be determined through market observation or using an undiscounted cash flow technique, then the entire carrying amount is written off.

#### Risk Management

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is at risk for environmental issues. The Company's functional currency is the Canadian dollar. All current development occurs within Canada. There is no significant foreign exchange risk to the Company.

#### Financial instruments - recognition and measurement (CICA Handbook Section 3855)

These standards set out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to July 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

#### Financial instruments - recognition and measurement (CICA Handbook Section 3855) (continued)

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depend on their initial classification:

Held-for-trading financial instruments are measured at fair value. All gains and losses are included in net loss in the period in which they arise.

Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.

Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period in which they arise.

The Company has classified its financial instruments at the date of adoption as follows:

Cash, temporary investments and long term investments are classified as held-for-trading. Accounts and other receivables and refundable security deposits are classified as loans and receivables and accounts payable are classified as other financial liabilities.

### **4. CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

#### Capital Disclosures (CICA Handbook Section 1535)

The Company has early adopted CICA Handbook section 1535, Capital Disclosures as at July 1, 2008. This section requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. See note 13 for the disclosures related to this standard.

#### Assessing Going Concern (CICA Handbook Section 1400)

The AcSB amended CICA Handbook Section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The standard became effective for fiscal years beginning on or after January 1, 2008 and is applicable to the Company as of July 1, 2008. The effect of this accounting change increases disclosures in the financial statements. See note 2 for the disclosures related to the amended standards.

#### Financial Instruments – Disclosures (CICA Handbook Section 3862)

The CICA has issued this new handbook section which affected disclosures in the Company's financial statements beginning on July 1, 2008. The new standards describe the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The new standards increase disclosures in future financial statements. See note 10 for disclosures related to this new standard.

#### Financial Instruments – Presentation (CICA Handbook Section 3863)

The CICA has issued this new handbook section which affected disclosures in the Company's financial statements beginning on July 1, 2008. This new section establishes the standards for presentation of the financial instruments and non-financial derivatives. It carries forward the presentation related requirements of Section 3861 "Financial Instruments – Disclosure and Presentation". The new standards increase disclosures in the financial statements. See note 3 for disclosures related to this new standard.

#### International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly accountable enterprises to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal year's beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably determined at this time.

## 5. PROPERTY, PLANT AND EQUIPMENT

	Sept 30, 2009		
	Cost	Accumulated Depreciation	Net Book Value
	Cost	Depreciation	Value
Office equipment	\$7,260	\$1,742	\$5,518
Prospecting equipment	32,968	7,562	25,407
	\$40,228	\$9,304	\$30,925

## 6. INTEREST IN MINING PROPERTIES

	Balance at	Acquisition		Balance at
	30-Jun-09	Costs	Write-offs	30-Sep-09
<b><u>Acquisition costs</u></b>				
Burin Property	66,850	500		67,350
Lamaline	2,300			2,300
Brady Property	88,080			88,080
Little Rattling Brook	19,780	610		20,390
Gabbro/Sims Ridge	850			850
Pilley's Island	6,840			6,840
Huxter Lane	19,570			19,570
Pequop South	-	156,660		156,660
Aztec	-	230		230
	\$ 204,270	\$ 158,000	\$ -	\$ 362,270

### Burin

The Burin property was acquired by staking and option agreements and consists of 1,082 claims (21,475 hectares) in 33 licenses over three projects; Lamaline (formerly Salmonier Hill), Lawn and Little St. Lawrence. The property lies at Tidewater immediately adjacent to the towns of Lawn, St. Lawrence and Lanaline on the southern portion of the Burin Peninsula, on Newfoundland's south coast.

The Company acquired a 100% option on 25 claims in two licences subject to a 2% NSR, 50% of which may be purchased by the Company for \$1 million. The option can be exercised by paying an aggregate of \$35,000 in cash (\$16,000 paid) and issuing 250,000 Golden Dory shares (175,000 shares issued at total consideration of \$27,250) over four years, and completing a minimum of \$25,000 in exploration expenditures.

The Company also acquired a 100% option on 15 claims in one licence subject to a 2% NSR, 50% of which may be purchased by the Company for \$1 million. The option can be exercised by paying an aggregate of \$50,000 in cash (\$15,000 paid) and issuing 70,000 Golden Dory shares (15,000 shares issued at total consideration of \$600 ) over three years, and completing sufficient exploration expenditures to ensure that the claims are in good standing during the three year term of the agreement.

### Brady

The Company acquired 100% of this property for 250,000 shares (issued at total consideration of \$87,500) and 1% NSR. The Brady gold property is located approximately 50 km south of the community of Grand Falls-Windsor, in central Newfoundland. The property consists of 314 claims in 2 licences.

### Little Rattling Brook

The Company acquired by staking and option agreement a land package totaling 948 claims in 26 licenses. The Little Rattling Brook Project consists of four separate project areas, Island Pond, Paradise Lake, Pistol Lake and Danny Boy located immediately south and northeast of the community of Bishop's Falls, in north central Newfoundland. The Company acquired a 100% option on 118 claims in 10 licenses subject to a 2% NSR, 50% of which may be purchased by the Company for \$1 million. The option can be exercised by paying \$30,500 in cash (\$1,000 paid) and issuing 195,000 shares (30,000 shares issued at total consideration of \$7,500) over three years, and completing sufficient exploration expenditures to ensure that the claims are in good standing during the three year term of the agreement. The agreement also includes

## **6. INTEREST IN MINING PROPERTIES (continued)**

an annual advance royalty payment of \$5,000 per year beginning no later than 24 months after Golden Dory has exercised the option, such advance royalty payments to be deductible from future NSR payments.

### **Gabbro Lake**

The Gabbro Lake project consists of 313 claims located approximately 120 km Northeast of Labrador City, Labrador. A 50:50 joint venture agreement was formed with Metals Creek Resources Corp who are the operator.

### **Pilley's Island**

The Company acquired by staking and option agreement a land package totaling 25 claims in 4 licenses. The property is located on Pilley's Island in Notre Dame Bay, on Newfoundland's northeast coast.

The Company acquired a 100% option on 19 claims in 3 licenses subject to a 2% NSR, 50% of which may be purchased by the Company for \$1 million. Consideration for the acquisition was \$6,440 (paid) and 10,000 shares (issued at consideration of \$1,600).

### **Huxter Lane**

The Company has an option agreement with Paragon Minerals Corporation whereby the Company can earn a 60% interest in the 86 claim (2150 hectare) Huxter Lane property by paying an aggregate of \$50,000 (paid \$15,000) and issuing 350,000 shares (50,000 shares issued at total consideration of \$4,500) and by making exploration expenditures of \$2 million over a four year period. The Company can increase its interest to 70% by issuing a further 150,000 shares and funding a bankable feasibility study. The Huxter Lane property is located in central Newfoundland and is contiguous with Golden Dory's 100% owned Brady (Au) Property.

### **Pequop South**

The Company has an option agreement with AuEx Ventures Inc. of Reno, Nevada, to acquire a 70% interest in the Pequop South property. The Company paid AuEx US\$20,000 cash, and must make exploration expenditures of US\$2.85 million over a six year period and fund a bankable feasibility study by August 2016. The property consists of 79 unpatented mining claims (the JT claims) which are located approximately 25 miles southeast of the town of Wells, in Elko County, Nevada. A finder's fee of \$10,742 was paid to an arms length party.

### **Root Lake**

The Company acquired an option to earn 100% interest in a lithium oxide (Li<sub>2</sub>O) property in the Red Lake Mining District of Ontario. The 15 claim property is located approximately 90 kilometers north of Sioux Lookout and is accessible by road. The property is subject to a 2% NSR and payments totaling \$195,000 and 300,000 common shares to be issued over a four year period. A finder's fee of 100,000 common shares will be paid to an arms length party.

### **Aztec Property**

The company acquired by staking, a 100% interest in the 23 claim Aztec property in central Newfoundland. The claims cover a series of historical gold showings related to a significant geological structure known to host numerous gold showing in central and north eastern Newfoundland.

## 7. CAPITAL STOCK

### (a) Share Capital

The authorized capital of the Company consists of an unlimited number of common shares, and an unlimited number of preferred shares issued in series. Details of share capital transactions for the period ended September 30, 2009 are as follows:

	<b>Number of Shares</b>	<b>Amount</b>
<b>Balance, June 30, 2009</b>	27,712,063	\$ 2,087,685
Shares issued - Upper Pond Property	10,000	500
Private placement at \$0.08 per share	1,875,000	150,000
Less: value of warrants issued with common shares		(34,125)
	<hr/>	<hr/>
Balance, September 30, 2009	29,597,063	\$ 2,204,060

### (b) Share Purchase Warrants

Details of share purchase warrant transactions for period ended September 30, 2009 is as follows:

	<u># of Warrants</u>	<u>Weighted Average Exercise Price</u>
Balance, June 30, 2009	9,203,370	\$0.28
Issued during the period	1,875,000	0.15
	<hr/>	<hr/>
Balance, September 30, 2009	11,078,370	\$0.26

The fair values of the warrants were estimated on the issuance date using the Black-Scholes pricing model, with the following weighted average assumptions:

	<u>2009</u>
Expected dividend yield	Nil
Risk-free interest rate	1.5%
Expected life	18 months - 2 years
Expected volatility	85%

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

### (c) Stock Options

The Company has adopted an incentive stock option plan in accordance with the policies of the TSX Venture (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding Common Shares exercisable for a period of up to five (5) years.

Concurrent with the completion of the initial public offering on December 28, 2006, the Company granted 470,000 stock options at a price of \$0.10, expiring on December 28, 2011. In addition to the options referred to above, the Company granted non-transferable options to the Big Sisters and Big Brothers of Calgary and Area and Vancouver and Area for a total of 47,000 at a price of \$0.10 per share until December 28, 2016. These options are not applied against the 10% limit noted above.

## 7. CAPITAL STOCK (continued)

There are 1,905,000 stock options as at September 30, 2009. No stock options were granted or exercised during the current quarter.

	Stock Options	Weighted Average Exercise Price
<b>Balance, September 30, 2009</b>	<u>1,905,000</u>	<u>\$0.24</u>

  

Number of Options	Exercise Price	Black-Scholes Value	Expiry Date
78,000	0.10	23,200	December 28, 2011
47,000	0.10	13,930	December 28, 2016
1,780,000	0.25	53,400	April 21, 2014

### (d) Shares held in escrow

Pursuant to the requirements of the TSX Venture Exchange 5,293,200 common shares remain subject to escrow agreement having a final release date of September 9, 2011.

## 8. MINERAL EXPLORATION EXPENSES

A summary of exploration expenditures incurred for the period ended September 30, 2009 is as follows:

	Burin	Brady	Little Rattling	Huxter Lane	Pequop South	Root Lake	Jackpot	Total
Assay			251		1,110	2,010		3,371
Contract labour	338				450	900		1,688
Field office supplies & misc	1,871	426	444	426	426	426	424	4,443
Field supplies & materials	1,337							1,337
Geological consulting	5,848	5,848	5,848	908	13,123		4,000	35,575
Telecommunications	238	238	238					714
Travel & lodging	2,057	409	1,591	1,119	5,845		3,650	14,671
Wages & Salaries	5,047	1,500	9,017	4,111	13,031	1,500	-	34,206
	<u>16,736</u>	<u>8,421</u>	<u>17,389</u>	<u>6,564</u>	<u>33,985</u>	<u>4,836</u>	<u>8,074</u>	<u>96,005</u>

## 9. RELATED PARTY TRANSACTIONS

The Company paid or accrued the following amounts to related parties during the period ended September 30, 2009:

Payee	Amount	Description of Relationship	Nature of Transaction
56575 N & L Ltd.	\$24,400	Officer and President of 56575 N & L Ltd.	Consulting Fees
ASK Prosp. & Guiding Inc.	3,231	President/CEO and President of ASK Prosp.	Reimbursement of expenses
Kevin Keats	30,432	President/CEO	Wages & reimbursement of expenses
Nichange Enterprises Ltd	9,000	Director/CFO and President of Nichange Enter.	Accounting Fees
Roland Quinlan	1,838	Director	Wages & Reimbursement of expenses
Tim Froude	<u>15,595</u>	Officer	Reimbursement of expenses
<b>Total</b>	<u>\$ 84,496</u>		

These transactions were incurred in the normal course of operations and were undertaken with the same terms and conditions as transactions with unrelated parties. The amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of payment.

## 10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts and other receivables, refundable security deposits and accounts payable and accrued liabilities.

### Fair Value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash, accounts and other receivables, refundable security deposits and accounts payable and accrued liabilities reflected on the balance sheet approximate fair market value because of the limited term of these instruments.

### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash, accounts and other receivables and refundable security deposits. The Company's cash is held through a large Canadian Financial Institution. Refundable security deposits are held by the Government of Newfoundland. The Company has no significant concentration of credit risk arising from operations. Management believes the risk of loss to be remote.

### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities. This is generally accomplished by ensuring that cash is always available to settle financial liabilities. At September 30, 2009, the Company had cash on hand of \$45,243 to settle current liabilities of \$95,963. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

### Market Risk

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no temporary investments.

#### Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. All of the Company's operations are in Canada; therefore, management believes the foreign exchange risk derived from any currency conversions is negligible and therefore does not hedge its foreign exchange risk.

#### Price Risk

The prices of metals and minerals fluctuate widely and are affected by many factors outside of the Company's control. The prices of metals and minerals and future expectation of such prices have a significant impact on the market sentiment for investment in mining and exploration companies. This in turn may impact the Company's ability to raise equity financing for its long term working capital requirements.

## 11. INCOME TAXES

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities

The company's actual tax expense for each of the years ended is made up as follows:

	<u>2009</u>
Loss before income taxes	<u>(\$2,020,021)</u>
Income tax recovery at the combined federal and provincial tax rate of 29%	(585,806)
Tax effect of stock based compensation	15,486
Tax effect of deductible share issue costs	(17,082)
Taxable benefit not recognized	587,402
Tax recovery of future tax liabilities created by the application of resource property expenditures	<u>(451,419)</u>
Total income tax recovery (expense)	<u>\$ (451,419)</u>

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for

The Company has the following future income tax assets:

	<u>2009</u>
Non capital loss carry forwards	
Mineral properties	\$412,129
Share issue costs	296,451
Valuation allowance	279,184
Net future income taxes	<u>(987,764)</u>
	<u>-</u>

The potential tax benefit of these losses has not been recognized in these financial statements. The Company has recorded a valuation allowance in the financial statements since the Company does not consider it more likely than not that the future tax assets will be realized in the foreseeable future.

As as September 30, 2009, the Company has non-capital losses of approximately \$1,586,286 available for deduction against future taxable income, the balances of which will expire as follows:

2027	\$39,525
2028	203,600
2029	<u>1,343,161</u>
	<u>\$1,586,286</u>

## 12. LOSS PER SHARE

Basic loss per share figures are calculated using the weighted average number of common shares outstanding. The weighted average number of shares issued and outstanding for the period ended September 30, 2009 is 29,597,063 (September 30, 2008 – 21,255,063).

Fully diluted loss per share figures are calculated after taking into account all stock options and warrants granted. Exercise of the outstanding warrants and options would be anti-dilutive with respect to loss per share calculations, and therefore fully-diluted loss per share is not presented.

## 13. CAPITAL DISCLOSURES

CICA Handbook Section 1535 requires disclosure of an entity's objectives, policies and process for managing capital, qualitative data about what an entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. The capital of the Company consists of the components of shareholders' equity.

The Company's objectives when managing capital are as follows:

- To safeguard the Company's ability to continue as a going concern;
- To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties;
- To raise sufficient capital to meet its general and administrative expenditures.

### **13. CAPITAL DISCLOSURES (Continued)**

The Company manages its capital structure and makes adjustments to it based on the general economic conditions, its short term working capital requirements, and its planned exploration program expenditure requirement. The capital structure of the Company is composed of working capital and shareholders' equity. The Company may manage its capital by issuing flow-through or common shares, or by obtaining additional financing.

The Company uses annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

### **14. REFUNDABLE SECURITY DEPOSITS**

Refundable security deposits of \$15,150 (June 30, 2009 - \$13,700) represents security deposits paid to the Government of Newfoundland and Labrador in connection with mineral property claims located in the Province of Newfoundland. These refundable security deposits are refundable to the Company upon submission by the Company of a report covering the first year work requirements, which meets the requirements of the Government of Newfoundland and Labrador.

### **15. COMPARATIVE FIGURES**

Certain financial statement line items from prior year have been reclassified to conform with the current year's presentation. These reclassifications had no effect on the net loss and comprehensive loss, loss per share and accumulated deficit as previously presented.

### **16. SUBSEQUENT EVENTS**

**On October 7, 2009** the Company acquired a 100% interest in the Jackpot lithium oxide (Li<sub>2</sub>O) property in the Thunder Bay Mining District of Ontario. Consideration will be cash payments totaling \$100,000 cash and 400,000 common shares to be issued over a four year period. The acquisition is subject to a 2% NSR retained by the vendor, 50% of which can be purchased by the Company for \$1 million). A finder's fee of 10,000 common shares will be paid to an arms length third party. The 4 claim property is located approximately 150 kilometers northeast of Thunder Bay and is accessible by road.

**On October 7, 2009** the Company closed the first tranche of its non-brokered private placement announced on September 22, 2009. The Company issued 1,235,000 flow-through units ("FT Units") at a price of CDN\$0.14 per FT Unit and 1,280,000 non flow-through units ("Units") at a price of \$0.12 per Unit. Each Flow-Through Unit consists of one common share and one half of one share purchase warrant (a "FT Warrant"), with each full FT Warrant entitling the holder to acquire one additional common share of the Company at a price of CDN\$0.25 per common share for a period of 18 months from closing and each Unit consists of one common share and one share purchase warrant ("Unit Warrant"), with each Unit Warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.20 per common share for a period of 18 months from closing.

The Company paid a cash finder's of \$20,800 and issued 100,000 Finders warrants exercisable at \$0.12 for 18 months from the date of close into one common share and one-half of a share purchase warrant with an exercise price of \$0.20 and 100,000 Finder's Options exercisable at \$0.14 for 18 months from the date of close into one common share and one half of a share purchase warrant with an exercise price of \$0.25.