

ROCHER DEBOULE MINERALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2009

and

JULY 31, 2008

AUDITORS' REPORT

To the Shareholders of Rocher Debole Minerals Corp.

We have audited the consolidated balance sheets of Rocher Debole Minerals Corp. as at July 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Vancouver, British Columbia
November 23, 2009

ROCHER DEBOULE MINERALS CORP.

Consolidated Balance Sheets

As at July 31,

	<u>2009</u>	<u>2008</u>
A S S E T S		
Current		
Cash and cash equivalents	\$ 306,891	\$ 156,861
Amounts receivable	205,345	58,274
Due from related parties	72,937	-
Prepaid expenses	39,584	2,600
	<u>624,757</u>	<u>217,735</u>
Equipment (Note 6)	11,349	16,188
Reclamation bond	10,500	10,500
Mineral property interests (Note 7)	3,098,187	3,019,014
	<u>\$ 3,744,793</u>	<u>\$ 3,263,437</u>
L I A B I L I T I E S		
Current		
Accounts payable and accruals	\$ 392,160	\$ 411,059
Due to related parties	36,249	38,610
	<u>428,409</u>	<u>449,669</u>
Contingencies (Note 10)		
Share capital (Note 8)	10,987,075	9,236,080
Value assigned to options and warrants (Note 8)	1,352,282	910,850
Deficit	(9,022,973)	(7,333,162)
	<u>3,316,384</u>	<u>2,813,768</u>
	<u>\$ 3,744,793</u>	<u>\$ 3,263,437</u>

Continuance (Note 1)**Subsequent events** (Note 11)

Approved on Behalf of the Board of Directors:

"Larry W. Reaugh"

Director

"Ed Lee"

Director

See notes to the financial statements

ROCHER DEBOULE MINERALS CORP.
Consolidated Statements of Operations, Comprehensive Loss and Deficit
For the Years Ended July 31,

	2009	2008
Administrative Expenses		
Amortization	\$ 4,839	\$ 2,875
Bank charges and interest	2,515	2,503
Consulting fees	125,697	213,059
Management fees	28,126	58,988
Office rental and services	43,611	158,464
Professional fees	84,203	163,850
Shareholder communications	302,860	289,122
Office rent	8,729	7,394
Repairs and maintenance	-	1,320
Filing and transfer agent fees	39,692	38,797
Telephone	13,262	15,210
Travel	12,835	60,007
Wages and benefits	306,938	202,823
Loss on foreign exchange	(22,653)	21,228
Stock compensation expense	441,431	808,650
Metallurgical Testing	23,012	-
Write off of Mineral Properties	277,358	-
	(1,692,455)	(2,044,290)
Loss before interest income		
Interest income	2,644	38,112
	(1,689,811)	(2,006,178)
Net Loss and Comprehensive Loss for the Year		
Deficit – Beginning of Year	(7,333,162)	(5,326,984)
Deficit – End of Year	\$ (9,022,973)	\$ (7,333,162)
Basic and Diluted Loss Per Share	\$ (0.04)	\$ (0.07)
Weighted Average Number of Shares Outstanding	40,656,710	28,463,852

See notes to the financial statements

ROCHER DEBOULE MINERALS CORP.
Consolidated Statements of Cash Flows
For the Years Ended July 31,

	2009	2008
Cash Provided by (Used for):		
Operating Activities		
Net loss for the year	\$ (1,689,811)	\$ (2,006,178)
Items not requiring cash:		
Amortization	4,839	2,875
Write-off of mineral properties	277,358	-
Shares Issued as finder's fees	47,580	-
Stock-based compensation	441,432	808,650
	(918,602)	(1,194,653)
Net change in non-cash working capital items:		
Accounts receivable	6,955	(43,405)
Accounts payable and accruals	(18,899)	37,210
Due to related parties	(2,361)	38,610
Prepaid expenses	(36,984)	71,605
	(969,891)	(1,090,633)
Investing Activities		
Purchase of equipment	-	(18,829)
Reclamation bonding	-	(5,500)
Mineral property expenditures	(575,994)	(1,786,613)
	(575,994)	(1,810,942)
Financing Activities		
Issuance of share capital, net	1,695,915	* 2,592,230
(Decrease) / Increase in Cash	150,030	(309,345)
Cash – Beginning of Year	156,861	466,206
Cash – End of Year	\$ 306,891	\$ 156,861

**Supplementary disclosure of non-cash investing and financing activities:*

Shares issued pursuant to mineral property agreements	\$ 7,500	\$ 202,500
Fair value of broker warrants granted	\$ -	\$ 102,200
Accounts payable related to mineral property expenditures	\$ -	\$ 733

See notes to the financial statements

ROCHER DEBOULE MINERALS CORP.
Notes to the Consolidated Financial Statements
July 31, 2009 and 2008

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is in the exploration stage of developing mineral property interests.

The Company has incurred losses since inception and as at July 31, 2009 has working capital of \$196,348 and an accumulated operating deficit of \$9,022,973. The Company does not generate cash flow from operations to fund its exploration activities and has therefore relied principally upon the issuance of equity securities for financing. The Company intends to continue relying upon the issuance of these securities to finance its operations and exploration activities to the extent such instruments are issuable under terms acceptable to the Company. Accordingly, the Company's financial statements are presented on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements include the accounts of the company and its wholly owned subsidiary, incorporated in the State of Nevada U.S. All significant intercompany transactions have been eliminated.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses incurred during the periods. Actual results could differ from those estimated.

Mineral properties and deferred costs

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

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

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

Administrative costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost of maintaining mineral properties

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

Share capital

Share capital issued for non-monetary consideration is recorded at the fair market value of the shares based on their trading price on the TSX Venture Exchange on the date the agreement to issue the shares was entered into as determined by the Board of Directors of the Company.

Costs incurred to issue shares are deducted from share capital.

Equipment

Equipment is amortized over its estimated useful economic life using the declining balance method at annual rates ranging from 20% to 100%. In the year of acquisition, one half the rate is applied.

Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus. If and when the stock options are exercised the applicable amounts of contributed surplus are transferred to share capital.

Financial Instruments

Under Section 3855, *Financial Instruments - Recognition and Measurement*, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financing will be expensed in the period incurred.

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value and amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and due to/from related parties are classified as other financial liabilities. The Company had neither available-for-sale or held-to-maturity instruments during the year ended July 31, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive Income

Section 1530, *Comprehensive Income*, provides standards for the reporting and presentation of comprehensive income, which is defined as the change in equity from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Future income taxes

The Company accounts for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those 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. Such an allowance has been applied to all potential income tax assets of the Company.

Environmental expenditures

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. The overall future impact of such regulations is neither determinable nor predictable at the present time.

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

Foreign currency translation

The Company translates its foreign operations for monetary assets and liabilities at the rate of exchange in effect as at the balance sheet date and for non-monetary assets and liabilities at their historical exchange rates. Revenues and expenses are translated at the average rates prevailing for the year, except for amortization that is translated at the historical rate of the related assets.

Foreign exchange gains and losses from the translation of foreign operations are recognized in the current period.

Loss per share

Loss per share has been calculated using the weighted-average number of common shares outstanding during each fiscal year. Diluted loss per share has not been calculated as it is anti-dilutive.

Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of the fair value can be made based on expected future cash outflows discounted to present value.

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

The associated asset retirement costs are capitalized as part of the carrying amount of long lived assets. The liability is accreted over the estimated time period until settlement of the obligation and the asset is depreciated over its estimated remaining useful life. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability and the related capitalized asset retirement cost. The Company has no asset retirement obligations.

Capital disclosures

The CICA issued a new accounting standard, Section 1535, Capital Disclosures (“Section 1535”), which requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity’s objectives, policies and processes for managing capital. Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new standard has been adopted by the Company effective August 1, 2008.

Financial instruments

The CICA issued two new accounting standards, section 3862, Financial Instruments – disclosures (“Section 3862”), and Section 3863, Financial Instruments – Presentation (“Section 3863”), which replace Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements for financial instruments. Section 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards have been adopted by the Company effective August 1, 2008.

Impact of adopting sections 1535, 3682 and 3863

Upon the adoption of the new standards, the Corporation will provide increased disclosure regarding management of capital, the nature and extent of risk arising from financial instruments and how the Corporation manages those risks.

Going-concern Amendments to Section 1400

In June 2007, the CICA amended Handbook Section 1400, “General Standards of Financial Statement Presentation”, which requires management to make an assessment of the Company’s ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the Company is not considered a going-concern. The new section is effective for years beginning on or after January 1, 2008. This new requirement was adopted by the Company effective August 1, 2008. The adoption of this Section did not have an impact on the financial statements.

Mining Exploration Costs

Effective March 27, 2009, the Company adopted Emerging Issues Committee (“EIC”) Abstract 174, “Mining Exploration Costs”. This standard provides guidance on the capitalization of exploration costs related to mining properties, in particular, and on impairment of long-lived assets. The adoption of this standard did not have a significant impact on the Company’s consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting standards

The CICA has issued new standards which may affect the financial disclosures and results of operations of the Company for future interim and annual periods. The Company will adopt the requirements on the date specified for each respective section the impact of these standards on the consolidated financial statements, as outlined below.

- (a) **Business Combinations, Consolidated Financial Statements and Non-Controlling Interests**
The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*. 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 the new standards.

Section 1582 replaces Section 1581, *Business Combinations*, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to 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. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, *Consolidated and Separate Financial Statements*, and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

- (b) **International Financial Reporting Standards (“IFRS”)**
In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company’s reporting no later than in the first quarter of 2011, with the restatement of comparative information presented. The conversion to IFRS will impact the Company’s accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements. The Company is currently evaluating the

3. CAPITAL MANAGEMENT

When managing capital, the Company’s objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. 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. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for 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 geologic 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 appropriate. There were no changes in the Company’s approach to capital management during the year ended July 31, 2009. The Company is not subject to externally imposed capital requirements.

4. FINANCIAL RISK FACTORS

a) Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, amounts due from/to related parties, accounts payable and accrued liabilities. Cash equivalents consist of guaranteed investment certificates and term deposits, the investment terms of which are one year or less at the time of acquisition. The Company holds no asset-backed commercial paper. The fair values of the financial instruments approximate their amortized cost value due to their short-term nature.

b) Currency risk

A portion of the Company's financial assets and liabilities is denominated in foreign currencies, giving rise to risks from changes in foreign exchange rates. The Company is exposed to currency exchange rate risks to the extent of its activities in the United States. The Company does not use derivative financial instruments to reduce its foreign exchange exposure; however, the Company maintains a portion of its cash and cash equivalents in US Dollars. Future changes in exchange rates could have a material effect on the Company's business, financial condition and results of operations.

c) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its commercial obligations. The Company's cash is held primarily through large Canadian and international banks. Short-term investments consist of guaranteed investment certificates which have an original maturity of one year or less from the date of purchase and are readily convertible into a known amount of cash

d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short term investments included in cash and cash equivalents is limited because these instruments, although available for sale, are generally held to maturity. The Company manages its cash according to its operational needs and to optimize revenues from interest.

5. RELATED PARTY

The Company shares its office premises with Goldrea Resources Corp., and Molycor Gold Corp., companies which share common directors with the Company. In addition, certain personnel are shared by the companies.

Expenses relating to the common office facilities are shared among the companies are allocated according to the relative amount of space used by each of the companies. The salary and related costs of common personnel are allocated according to the time expended by the personnel in question.

At the year ended July 31, 2009, the amount of \$36,249 is owed to these related parties (2008 - \$28,180).

Also during the year, the Company advanced \$5,780 to a director and \$67,157 to Molycor Gold Corp. The amounts do not bear interest, are unsecured and have no fixed term of repayment.

6. EQUIPMENT

	Amortization Rate			July 31, 2009	July 31, 2008
		Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office Equipment	20%	\$ 1,426	\$ 1,300	\$ 126	\$ 157
Motor Vehicle	30%	18,828	7,625	11,204	16,004
Computer Equipment	30%	1,851	1,832	19	27
Software	100%	7,444	7,444	-	-
		<u>\$ 29,549</u>	<u>\$ 18,201</u>	<u>\$ 11,349</u>	<u>\$ 16,188</u>

7. MINERAL PROPERTY INTERESTS

Rocher Deboule Omineca Mining Division, Hazelton, B.C.

The Company's 8,051 hectare property is located nine kilometers south of New Hazelton, BC, and is comprised of claims acquired by staking in 2001, and certain additional claims acquired in 2007 by the cash payment of \$60,000 and the issuance of 130,000 common shares.

	Balance, July 31, 2007	Expenditures	Balance, July 31, 2008	Expenditures	Balance, July 31, 2009
Acquisition and staking	\$ 118,300	\$ 10,584	\$ 128,884	\$ 4,433	\$ 133,317
Assays and analysis	1,491	33,547	35,038	(3,575)	31,463
Camp and supplies	66	57,828	57,894	1,610	59,504
Drilling	-	146,826	146,826	-	146,826
Geological and geophysical	204,425	214,597	419,022	7,523	426,545
Geologist travel and accommodation	1,930	6,001	7,931	7,353	15,284
Freight and transport	1,629	71,524	73,153	3,323	76,476
BCMETS recoverable			-	(226,963)	(226,963)
	<u>\$ 327,841</u>	<u>\$ 540,907</u>	<u>\$ 868,748</u>	<u>\$ (206,296)</u>	<u>\$ 662,452</u>

Artillery Mountains Mohave County, Arizona, U.S.A.

During fiscal year ended July 31, 2008, the Company completed the terms of its option to acquire 236 unpatented lode mining claims located in the southeastern corner of Mohave County, Arizona, USA, by the issuance of 1,000,000 common shares and the payment of US \$96,000. The property is subject to a 2% Net Smelter Returns ('NSR') royalty with an option to purchase 1% of the NSR for US\$ 2,000,000. In August 2008, the company acquired additional adjoining properties during the current fiscal year in the Artillery Peak manganese district of Arizona:

Lake property – The Company has entered into an agreement to lease the patented mining claims adjoining the Company's Artillery Peak properties. Under the Lease Agreement, as consideration for leasing the claims for a 10-year renewable term, the Company shall pay the lessors the following amounts:

- a. \$60,000 US upon execution of the Lease Agreement (paid)
- b. \$80,000 US upon 1st anniversary of the Lease Agreement
- c. \$100,000 US upon 2nd anniversary of the Lease Agreement
- d. \$120,000 US upon 3rd anniversary of the Lease Agreement
- e. \$140,000 US upon 4th anniversary of the Lease Agreement
- f. \$160,000 US upon 5th anniversary of the Lease Agreement
- g. \$180,000 US upon 6th anniversary of the Lease Agreement
- h. \$200,000 US upon 7th and each subsequent anniversary of the Lease Agreement

7. MINERAL PROPERTY INTERESTS (continued)

In addition, the Company is to pay a royalty to the lessors of US\$0.04/lb for manganese, and 1.5% of net returns for all other minerals, produced from both the lessors' claims and the Company's existing claims. The lease payments described above constitute an advance on any royalties due to the lessors.

Maggie Canyon –the Company has entered into a mineral lease agreement with option to purchase dated July 15, 2008 with David Huffman to lease 23 patented and unpatented mineral claims for a term of 10 years. Lease payments are \$20,000 (paid) on execution of the lease and \$20,000 yearly for the term of the lease. In addition, the Company has an option to purchase the property during the term of the lease or up to commencement of commercial production for the purchase price of \$2,250,000.

Huffman property – The Company has entered into a mineral lease agreement with option to purchase dated June 15, 2008 with David Huffman to lease 7 patented claims for a term of 10 years. Lease payments are \$10,000 (paid) on execution of the lease and \$10,000 yearly for the term of the lease. In addition, the Company has an option to purchase the property during the term of the lease or up to commencement of commercial production for the purchase price of \$1,000,000.

	<u>Balance, July 31, 2007</u>	<u>Expenditures</u>	<u>Balance, July 31, 2008</u>	<u>Expenditures</u>	<u>Balance, July 31, 2009</u>
Acquisition and staking	\$ 679,103	\$ 49,331	\$ 728,434	\$ 353,285	\$ 1,081,719
Assays and analysis	1,426	89,391	90,817	49,895	140,712
Drilling	-	669,054	669,054	-	669,054
Geological and geophysical	16,987	164,034	181,021	159,693	340,714
Geologist travel and accommodation	1,388	25,429	26,817	26,451	53,268
Property maintenance	-	30,022	30,022	38,876	68,898
	<u>\$ 698,904</u>	<u>\$ 1,027,261</u>	<u>\$ 1,726,165</u>	<u>\$ 628,200</u>	<u>\$ 2,354,365</u>

BC Manganese Alberni and Clinton Mining Division, B.C.

The Company acquired by staking the Black Prince, Junction Creek and Olson exploration properties located in the Alberni and Clinton Mining Divisions of British Columbia.

	<u>Balance, July 31, 2007</u>	<u>Expenditures</u>	<u>Balance, July 31, 2008</u>	<u>Expenditures</u>	<u>Balance, July 31, 2009</u>
Acquisition and staking	\$ 1,477	\$ -	\$ 1,477	\$ 2,720	\$ 4,197
Geological and geophysical	946	-	946	-	946
	<u>\$ 2,423</u>	<u>\$ -</u>	<u>\$ 2,423</u>	<u>\$ 2,720</u>	<u>\$ 5,143</u>

Tam Property Liard Mining Division, B.C.

During the fiscal year ended July 31, 2008, the Company obtained an option to acquire this property located in the Liard Mining Division of British Columbia by making total payments of \$300,000 and issuing 500,000 common shares in stages prior to August, 2011 (\$25,000 paid to date). In August 2008, after evaluating exploration priorities the Company terminated the property option and wrote down \$183,653 capitalized acquisition expenditures in the current period.

7. **MINERAL PROPERTY INTERESTS** (continued)

**Lonnie Brent
Omineca Mining, B.C.**

During the fiscal year ended July 31, 2008 the Company acquired the mineral claims comprising this property located in the Omineca Mining Division of British Columbia by staking and also by the issuance of 100,000 common shares and the cash payment of \$10,000.

	<u>Balance, July 31, 2007</u>	<u>Expenditures</u>	<u>Balance, July 31, 2008</u>	<u>Expenditures</u>	<u>Balance, July 31, 2009</u>
Acquisition and staking	\$ -	\$ 55,000	\$ 55,000	\$ 3,727	\$ 58,727
	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 3,727</u>	<u>\$ 58,727</u>

**Canal Flats
Golden Mining Division, B.C.**

During the fiscal year ended July 31, 2008 the Company obtained an option to acquire a property located in the Golden Mining Division of British Columbia by the payment of \$10,000 and issuing 50,000 shares.

	<u>Balance, July 31, 2007</u>	<u>Expenditures</u>	<u>Balance, July 31, 2008</u>	<u>Expenditures</u>	<u>Balance, July 31, 2009</u>
Acquisition and staking	\$ -	\$ 10,000	\$ 10,000	\$ 7,500	\$ 17,500
	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 7,500</u>	<u>\$ 17,500</u>

Boundary Macklin Coal Field
Manville Group, Saskatchewan, Canada

The Company acquired these coal permits in Lower Cretaceous Mannville Group in Saskatchewan by the payment of \$170,000 and the requirement to issue 2,500,000 shares prior to December 31, 2008. In August 2008, the Company cancelled coal application to the properties referred to as Alberta Saskatchewan Boundary group. The Company has received \$98,411 refund of fees paid to Saskatchewan Government and wrote down \$97,039 in capitalized expenses.

8. SHARE CAPITAL

a) Authorized

100,000,000 common shares without par value

b) Issued and Outstanding

	Number of Shares	Amount	Value Assigned to Options and Warrants
Balance, July 31, 2007	24,445,892	\$ 6,543,550	\$ -
Exercise of warrants	7,403,333	1,110,500	-
Shares for mineral properties	450,000	202,500	-
Private placement	3,562,200	1,602,990	-
Cost of issuance - cash	-	(121,260)	-
Broker warrants granted – fair value	-	(102,200)	102,200
Stock based compensation	-	-	808,650
	<hr/>	<hr/>	<hr/>
Balance, July 31, 2008	35,861,425	\$ 9,236,080	\$ 910,850
Private placement	3,255,000	651,000	-
Private placement	11,970,800	1,197,080	-
Cost of issuance - cash	-	(104,586)	-
Shares for mineral properties	50,000	7,500	-
Stock based compensation	-	-	441,431
	<hr/>	<hr/>	<hr/>
Balance, July 31, 2009	51,137,225	\$ 10,987,074	\$ 1,352,281

- c) During the fiscal year ended July 31, 2008, the Company completed a brokered private placement for 3,562,200 units at a price of \$0.45 per unit for aggregate proceeds of \$1,602,900. Each unit consists of one common share and one transferable common share warrant. Each warrant entitles the holder to purchase one common share for a period of two years at an exercise price of \$0.90 per share. The Company paid cash commission of 6% of the gross proceeds of the sale of the units and issued agents warrants equal to 10% of the number of units sold under the offering. Each agent's warrant will be exercisable to acquire one unit of the company on the same terms as the offering.

In September 2008, the Company closed its non-brokered private placement of 3,255,000 units at a price of \$0.20 per unit for aggregate proceeds of \$651,000. Each unit is comprised of one common share in the capital of the Company plus a two year share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$ 0.30 per share prior to October 7, 2010.

In June 2009, the Company closed its non-brokered private placement for gross proceeds of \$1,197,080 comprising of 11,970,800 units plus a two year share purchase warrant priced at \$0.15 per unit.

8. **SHARE CAPITAL** (continued)

d) **Stock options**

	Number of Options	Weighted Average Exercise Price
Balance at July 31, 2008	2,075,000	\$ 0.25
Granted	4,050,000	0.12
Cancelled/forfeited	(100,000)	(0.55)
Balance at July 31, 2009	<u>6,025,000</u>	<u>\$ 0.26</u>

The Company granted incentive stock options to purchase an aggregate of 4,050,000 shares in the capital stock of the Company. The option was granted for a period of five years commencing October 27, 2008 at \$0.12 per share. During the year ended July 31, 2009 under fair value based method, \$441,431 in compensation expense was recorded for options vested to directors, officers, employees and consultants. The fair value of the stock options granted was estimated on the date of the grant using Black-Scholes option pricing model using the assumptions shown in the following table.

	2009	2008
Dividend yield	0%	0%
Expected volatility	162.94%	173.35%
Risk-free interest rate	2.76%	4.08%
Expected live	5 years	5 years

e) **Warrants**

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life	Expiry Date
Balance at July 31, 2007	7,435,000	\$ 0.15		September 5, 2007
Granted – Private Placement	3,562,200 ⁽¹⁾	0.45		February 28, 2010
Granted - Broker warrants	356,220	0.90		February 28, 2010
Exercised	(7,403,333)	0.15		
Expired	(31,667)	0.15		
Balance at July 31, 2008	<u>3,918,420</u>	<u>\$ 0.90</u>		
Granted – Private Placement	3,255,000	0.30		October 7, 2011
Granted – Private Placement	1,625,000	0.15		April 22, 2011
Granted – Private Placement	10,345,800	0.15		June 12, 2011
Balance at July 31, 2009	<u>19,144,220</u>	<u>\$ 0.35</u>	2.64 years	

(1) 3,562,200 purchase warrants were re-priced to \$0.45 on September 30, 2008.

The grant date fair value of broker warrants granted to agents during the year ended July 31, 2008 was \$0.29 per warrant (2007 - \$nil).

8. SHARE CAPITAL (continued)

e) Warrants

The fair value of broker warrants granted was estimated on the date of the grant using Black-Scholes option pricing model using the following assumptions shown in the following table.

	<u>2009</u>	<u>2008</u>
Dividend yield	0%	0%
Expected volatility	162.94%	110.78%
Risk-free interest rate	2.76%	2.65%
Expected live	5 years	2 years

9. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	<u>2009</u>	<u>2008</u>
	\$	\$
Loss for the year	(1,689,811)	(2,006,178)
Expected income tax recovery	(506,943)	(640,429)
Net adjustment for deductible and non-deductible amounts	203,059	209,001
Unrecognized benefit of non-capital losses	303,885	431,428
	<u>-</u>	<u>-</u>

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

	<u>2009</u>	<u>2008</u>
Future income tax assets:	\$	\$
Mineral properties	30,104	115,500
Non-capital loss carry-forwards	843,960	634,100
Equipment	7,632	7,400
	<u>924,010</u>	<u>757,000</u>
Valuation allowance	(924,010)	(757,000)
Net future income tax assets	<u>-</u>	<u>-</u>

9. INCOME TAXES *(continued)*

The following is a schedule of the Company's aggregate non-capital losses available to reduce taxable income in Canada in future years, expiring between 2009 and 2029 as follows:

<u>Year of Expiration</u>	<u>Non-Capital Loss</u>
2009	52,700
2010	59,739
2014	76,834
2015	126,496
2026	95,816
2027	266,502
2028	1,194,653
2029	957,541
	<u>\$ 2,830,281</u>

The Company has non-capital losses of approximately \$2.8 million (2008 - \$1.9 million), which are available to reduce future taxable income and which expire between 2009 and 2029. The Company also has mineral property expenditure pools of \$3.2 million (2008 - \$3.4 million) available to reduce taxable income in future years, subject to certain restrictions. The Company has not recognized any future benefit relating to these tax losses and resource deductions as it is not considered likely that they will be utilized.

10. CONTINGENCIES

- a) A former lawyer for the Company is claiming for past legal fees, for which the Company has accrued \$358,742 in accounts payable, an amount which the Company disputes and intends to settle for a lesser amount or through legal action.
- b) The Company had a contingent liability for \$271,584 under a guarantee to a creditor from a prior business venture. No claim has ever been made under this guarantee and management believes it is not enforceable.

11. SUBSEQUENT EVENTS

In August, 2009 the Company granted incentive stock options, pursuant to Company's Stock Option Plan, to purchase an aggregate of 1,935,000 shares in the capital stock of the Company. The options will be granted for a period of five years \$0.20 per share.

The Company also reported to amend the exercise price of 1,615,000 options granted on September 4, 2007 at a price of \$0.55.