ACREX VENTURES LTD.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2009 AND 2008

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Acrex Ventures Ltd.

We have audited the balance sheet of Acrex Ventures Ltd. as at December 31, 2009 and 2008 and the 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 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.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

April 28, 2010

ACREX VENTURES LTD.

BALANCE SHEETS

AS AT DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
Current		
Cash and cash equivalents (Note 4)	$ 1,696,970	$ 991,252
Marketable securities	9,366	8,756
Amounts receivable	3,085	9,506
Prepaid expenses	1,998	1,665
	1,711,419	1,011,179
RECLAMATION BOND	5,000	5,000
MINERAL PROPERTIES (Note 5)	1,145,038	3,092,696
	$ 2,861,457	$ 4,108,875
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 39,976	$ 47,848
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)	8,960,791	8,960,791
CONTRIBUTED SURPLUS (Note 7)	674,548	674,548
DEFICIT	(6,813,858)	(5,574,312)
	2,821,481	4,061,027
	$ 2,861,457	$ 4,108,875

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)

SUBSEQUENT EVENT (Note 13)

Approved on behalf of the Board:

/s/ "T.J. Malcom Powell" — T.J. Malcolm Powell, Director

/s/ "Carl R. Jonsson" — Carl R. Jonsson, Director

The accompanying notes are an integral part of these financial statements.

ACREX VENTURES LTD.

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
EXPENSES		
Management fees	$ 108,000	$ 138,000
Investor relations	64,982	69,110
Accounting and audit fees	37,000	51,170
Legal	21,335	29,690
Promotion and travel	19,045	34,726
Rent	16,680	16,680
Advertising	13,148	10,933
Office and general	10,287	19,825
Transfer agent fees	9,088	12,660
Filing fees	6,160	7,618
Consulting	500	4,295
Insurance	295	13,500
Directors' fees - stock-based compensation	–	14,173
	306,520	422,380
LOSS BEFORE OTHER ITEMS	(306,520)	(422,380)
OTHER ITEMS		
Interest income, net	18,110	49,976
Mineral property written-off (Note 5)	(460,357)	(38,328)
Loss on sale of mineral property (Note 5)	(491,389)	–
Unrealized gain (loss) on marketable securities	610	(6,779)
	(933,026)	4,869
LOSS BEFORE INCOME TAX	(1,239,546)	(417,511)
FUTURE INCOME TAX RECOVERY	–	335,500
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(1,239,546)	(82,011)
DEFICIT, BEGINNING OF YEAR	(5,574,312)	(5,492,301)
DEFICIT, END OF YEAR	$ (6,813,858)	$ (5,574,312)
LOSS PER SHARE – BASIC AND DILUTED	$ (0.03)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	40,660,447	40,615,638

The accompanying notes are an integral part of these financial statements.

ACREX VENTURES LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	$ (1,239,546)	$ (82,011)
Items not involving cash:		
Stock-based compensation	-	18,468
Unrealized (gain) loss on marketable securities	(610)	6,779
Mineral property written-off	460,357	38,328
Loss on sale of mineral property	491,389	–
Future income tax recovery	–	(335,500)
	(288,410)	(353,936)
Changes in non-cash working capital balances:		
Decrease in amounts receivable	6,421	20,953
Increase in prepaid expenses	(333)	(1,665)
(Decrease) increase in accounts payable and accrued liabilities	(7,872)	15,578
	(290,194)	(319,070)
FINANCING ACTIVITY		
Issuance of shares, net	–	5,000
INVESTING ACTIVITIES		
Increase in mineral properties	(4,088)	(710,032)
Sale of mineral property	1,000,000	–
Reclamation bond	–	(5,000)
	995,912	(715,032)
INCREASE (DECREASE) IN CASH	705,718	(1,029,102)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	991,252	2,020,354
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,696,970	$ 991,252
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest	$ –	$ –
Income taxes	$ –	$ –
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Shares issued for mineral properties	$ –	$ 15,500

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Acrex Ventures Ltd. (the "Company"), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange.

The Company 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 exploration 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 upon future profitable production or proceeds from the disposition thereof.

The Company has incurred losses since its inception and had an accumulated deficit of $6,813,858 at December 31, 2009 which has been funded primarily by issuance of shares. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

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 date of the financial statements and revenues and expenses for the years reported. Significant areas requiring the use of management estimates include the determination of impairment of mineral properties, asset retirement obligations, future income tax assets and liabilities, and assumptions used in valuing options and warrants in stock-based compensation calculations. Actual results could differ from these estimates.

Financial instruments - The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3840, "Related Party Transactions".

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

Cash equivalents - The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral properties - All costs related to the acquisition, exploration and development of mineral properties are capitalized as mineral properties. If economically recoverable reserves are developed, capitalized costs of the related property are reclassified as mining assets and upon commencement of commercial production, are amortized using the units of production method over estimated recoverable reserves. Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. If management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed in the period that this determination is made.

The recoverability of mineral properties and capitalized exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of reserve properties may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Asset retirement obligations - The Company follows CICA Handbook Section 3110, “Asset Retirement Obligations” which establishes standards for asset retirement obligations and associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at December 31, 2009, the Company has not incurred any asset retirement obligation related to the exploration and development of its mineral properties.

Government assistance - B.C. mining exploration tax credits for certain exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development costs of the respective mineral property.

Income taxes - The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

Stock-based compensation - The Company follows the recommendations of CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments", which provides standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. In accordance with these recommendations, stock options are recorded at their fair value on the date of grant as compensation expense, and agents’ options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. On the exercise of stock options and agents’ options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based compensation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share - Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Comprehensive loss - Comprehensive loss reflects net loss and other comprehensive income (loss) for the period. Other comprehensive income (loss) includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

Flow-through shares - The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related exploration expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

The Company follows the recommendations of the Emerging Issues Committee (“EIC”) of the Canadian Institute of Chartered Accountants with respect to flow-through shares, as outlined in EIC-146. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made.

Share issue costs - Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064, “Goodwill and Intangible Assets”, which establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of this section did not have any significant impact on the Company’s financial statements.

In January 2009, the CICA Emerging Issues Committee (EIC) issued EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. This guidance clarified that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 1, 2009. The application of this EIC had no material effect on the Company’s financial statements.

In March 2009, the CICA issued EIC-174, “Mining Exploration Costs”. The EIC provides guidance on accounting for capitalization and impairment of exploration costs. This standard was effective for the fiscal year beginning January 1, 2009. The application of this EIC had no impact on the Company’s financial statements.

3. CHANGES IN ACCOUNTING POLICIES (continued)

In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures", to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. These amendments are reflected in Note 12.

Recent accounting pronouncements not yet adopted

In January 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The AcSB also issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", which replace Section 1600, "Consolidated Financial Statements". These new sections are based on the International Accounting Standards Board's ("IASB") International Financial Reporting Standard 3, "Business Combinations". These new standards replace the existing guidance on business combinations and consolidated financial statements. These new standards require that most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed. These new standards also require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests. The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied 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, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards. The Non-Controlling Interests standard should be applied retrospectively except for certain items. The Company is currently assessing the future impact of this standard on its financial statements.

In August 2009, the AcSB issued amendments to Section 1625, Comprehensive Revaluation of Assets and Liabilities, for consistency with new Section 1582, Business Combinations. The amendments require that, when push-down accounting is used following the acquisition of an enterprise, the assets and liabilities are to be measured at the values used in accounting for the purchase transaction or transactions in accordance with Section 1582. The amendments also require that, when a future income tax asset that arose prior to the date of a comprehensive revaluation and that was not recognized in the comprehensive revaluation is subsequently recognized, the benefit should be recognized in accordance with Section 1582 and Section 3465, Income Taxes. The Company is currently assessing the future impact of this standard on its financial statements.

The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Early adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582.

Also in August 2009, the AcSB issued amendments to Section 3251, *Equity*, as a result of issuing Section 1602, *Non-controlling Interests*. The amendments require non-controlling interests to be recognized as a separate component of equity.

The amendments apply only to entities that have adopted Section 1602.

3. CHANGES IN ACCOUNTING POLICIES (continued)

Recent accounting pronouncements not yet adopted (continued)

In February 2008, the AcSB 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 International Financial Reporting Standards ("IFRS"). AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years 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 December 31, 2010. In July 2008 AcSB announced that early adoption will be allowed in 2009 subject to seeking exemptive relief. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include redeemable guaranteed investment certificates (“GICs”) with interest rates of 0.40% and 1.00% (2008 - 3.15%) per annum. At December 31, 2009, the fair value of the GICs was $1,696,000 (2008 - $910,796).

5. MINERAL PROPERTIES

December 31, 2009:

	Michaud	Spanish Mountain	Don’s Lake	Total
Acquisition costs				
Balance, beginning and end of the year	$ 75,000	$ 177,334	$ 39,500	$ 291,834
Exploration costs				
Balance, beginning of year	1,416,389	967,704	416,769	2,800,862
Consulting	–	–	4,088	4,088
Balance, end of year	1,416,389	967,704	420,857	2,804,950
Sale of property	(1,000,000)	–	–	(1,000,000)
Write-off	(491,389)	–	(460,357)	(951,746)
	$ –	**$ 1,145,038**	**$ –**	**$ 1,145,038**

5. MINERAL PROPERTIES (continued)

December 31, 2008:

	Michaud	Spanish Mountain	Don's Lake	Honeymoon	Total
Acquisition costs					
Balance, beginning of year	$ 75,000	$ 122,834	$ –	$ –	$ 197,834
Option payments	–	54,500	39,500	10,500	104,500
Balance, end of year	75,000	177,334	39,500	10,500	302,334
Exploration costs					
Balance, beginning of year	1,250,327	957,331	–	–	2,207,658
Drilling	166,062	–	150,560	–	316,622
Surveying and line-cutting	–	5,454	87,055	6,106	98,615
Assays	–	70,220	7,782	6,496	84,498
Consulting	–	7,150	62,752	14,555	84,457
Lodging	–	–	22,247	–	22,247
Other	–	–	86,373	671	87,044
Mining exploration tax credit	–	(72,451)	–	–	(72,451)
Balance, end of year	1,416,389	967,704	416,769	27,828	2,828,690
Write-off	–	–	–	(38,328)	(38,328)
	$ 1,491,389	**$ 1,145,038**	**$ 456,269**	**$ –**	**$ 3,092,696**

The Company's mineral properties are described as follows:

Michaud gold claims, Ontario - Pursuant to a series of agreements dating back to September 1, 2001 the Company acquired a 50% interest in a joint venture with Moneta Porcupine Mines Inc. ("Moneta") which owned all, or portions of, 68 mineral claims in Michaud Township, Ontario. The Company's total costs for the acquisition of the interests and for work conducted on the joint venture properties was $1,491,389. In the year ended December 31, 2009, the Company sold its interest in the joint venture for $1,000,000, and incurred a loss of $491,389 on the sale.

Spanish Mountain claims, British Columbia - On July 23, 2005, the Company entered into an Option Agreement (the "Agreement") to acquire a 100% interest in the Spanish Mountain property, consisting of 8 mineral claims covering approximately 1,350 hectares located near Likely in Northeastern British Columbia.

The Company may earn the interest by making certain cash payments and issuing shares to the Optionor as follows:

Due Date	Cash Payment	Share Issuance
July 25, 2005 (completed)	$ 5,000	50,000
April 25, 2006 (completed)	5,000	–
July 25, 2006 (completed)	10,000	50,000
July 25, 2007 (completed)	20,000	50,000
July 25, 2008 (completed)	20,000	50,000
July 25, 2009 (renegotiated - see below)	40,000	–
	$ 100,000	200,000

In addition, 200,000 shares of the Company are to be issued upon receipt of a positive feasibility study.

5. MINERAL PROPERTIES (continued)

Spanish Mountain claims, British Columbia (continued)

The Agreement is subject to a 3% net smelter return ("NSR"). The Company has the right to purchase 66.67% of the NSR for $1,000,000 upon commencement of commercial production of the property.

On February 7, 2007, the Company acquired a 100% interest in two mineral tenures immediately to the west and south of the Company's existing claim group. The purchase price of these claims was $10,000 and 200,000 shares.

In July 2008, the Company issued 50,000 common shares and paid $20,000 for payment of the option obligation. The fair value of these shares was $4,500.

Effective September 22, 2008 the Company renegotiated the payment due on July 25, 2009 by an immediate payment of $30,000, reducing the cash component of the consideration to $90,000 in total. The Company paid $30,000 and exercised the option to acquire the 100% interest in the Spanish Mountain property.

Don's Lake gold claims, Ontario - On February 28, 2008, the Company entered into an Option Agreement (the "Agreement") to acquire a 100% interest in the Don's Lake mineral property, consisting of 18 mineral claims covering approximately 1,344 hectares located near Sioux Lookout in northwestern Ontario.

The Company may earn the interest by making certain cash payments and issuing shares to the Optionor as follows:

Due Date	Cash Payment	Share Issuance	Exploration Expenditure on or Before
February 28, 2008 (completed)	$ 34,000	50,000	$ –
May 29, 2009	25,000	50,000	300,000
May 29, 2010	50,000	50,000	200,000
May 29, 2011	81,000	50,000	400,000
May 29, 2012	–	–	400,000
	$ 190,000	200,000	$ 1,300,000

By an Extension Agreement dated December 19, 2008 between the Company and the Optionor, it was agreed that all of the above deadlines would be extended for one year.

In addition, 200,000 shares of the Company were to be issued upon receipt of a positive feasibility study.

On February 28, 2008, the Company issued 50,000 common shares and paid $34,000 for payment of the option obligations. The fair value of these shares was $5,500.

Effective November 24, 2009, the Company terminated its option on the Don's Lake gold claims and wrote-off the cumulative exploration and acquisition costs totalling $460,357.

Honeymoon Area claims, British Columbia - On March 12, 2008, the Company entered into an Option Agreement (the "Agreement") to acquire a 100% interest in the Honeymoon Area mineral property located near Kamloops British Columbia.

On December 22, 2008, the Company terminated the Agreement and wrote-off the cumulative exploration and acquisition costs totalling $38,328.

6. SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common voting shares without par value. Issued share capital is as follows:

	2009 Number	2009 Amount	2008 Number	2008 Amount
Balance, beginning of year	40,660,447	$ 8,960,791	40,510,447	$ 9,275,791
Shares issued for cash and other:				
Shares issued for mineral properties	–	–	150,000	15,500
Share issuance (costs) recovery	–	–	–	5,000
Future income tax benefits on expenditures renounced to shareholders	–	–	–	(335,500)
Balance, end of year	40,660,447	$ 8,960,791	40,660,447	$ 8,960,791

a) On February 28, 2008, the Company issued 50,000 common shares for payment of certain mineral properties, as described in Note 5. The fair value of these shares was $5,500.

b) On March 12, 2008, the Company issued 50,000 common shares for payment of certain mineral properties, as described in Note 5. The fair value of these shares was $5,500.

c) On July 15, 2008, the Company issued 50,000 common shares for payment of certain mineral properties, as described in Note 5. The fair value of these shares was $4,500.

Warrants - The following table summarizes the continuity of the Company's warrants, each warrant entitles the holder to acquire one common share of the Company:

	Number of Warrants	Exercise Price	Expiry Date
Balance, December 31, 2007 and 2008	7,699,755		
Expired	(4,030,755)	$0.50	August 14, 2009
Expired	(624,000)	$0.23	August 14, 2009
Expired	(2,645,000)	$0.50	August 16, 2009
Expired	(400,000)	$0.23	August 16, 2009
Balance, December 31, 2009	–	–	

There were no warrants issued in 2009 and 2008.

7. CONTRIBUTED SURPLUS

	2009	2008
Balance, beginning of year	$ 674,548	$ 656,080
Fair value of stock options granted and vested	–	18,468
Balance, end of year	$ 674,548	$ 674,548

8. STOCK OPTION PLAN AND STOCK-BASED COMPENSATION

The Company has established a stock option plan for directors, employees, and consultants. The following table summarizes the stock options outstanding and exercisable at December 31, 2009:

Price	Number Outstanding	Number Exercisable	Expiry Date
$0.12	485,000	485,000	July 7, 2010
$0.12	100,000	100,000	October 13, 2010
$0.12	100,000	100,000	December 5, 2010
$0.30	100,000	100,000	June 19, 2011
$0.30	50,000	50,000	June 29, 2011
$0.20	100,000	100,000	February 7, 2012
$0.16	650,000	650,000	July 12, 2012
$0.16	1,400,000	1,400,000	December 17, 2012
$0.10	565,000	565,000	December 9, 2013
	3,550,000	3,550,000	

Under the Company's stock option plan, the exercise price of each option is determined by the Board, subject to the pricing policies of the TSX. Options expire five years from the date of the grant. Of the 1,400,000 options issued in December 2007, 75,000 options vested during 2008.

The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued shares at the time the options are granted. The aggregate number of options granted to any one optionee in a 12-month period is limited to 5% of the issued shares of the corporation.

A summary of the changes in the Company's stock options for the years ended December 31, 2009 and 2008 is presented below:

		2009		**2008**
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of year	3,550,000	$ 0.16	3,550,000	$ 0.18
Granted	–	–	565,000	0.10
Expired or cancelled	–	–	(565,000)	0.28
Outstanding, end of year	3,550,000	$ 0.16	3,550,000	$ 0.16

The Company uses the Black-Scholes option pricing model to value the stock options granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

No options were granted or vested in 2009. The fair value of the 565,000 options granted and 75,000 options vested during the year ended December 31, 2008 was $18,468 using the Black-Scholes model, and accounted for as directors' fees of $14,173 and consulting fees of $4,295, and included in contributed surplus. The 565,000 options granted in 2008 vested on grant.

8. STOCK OPTION PLAN AND STOCK-BASED COMPENSATION (continued)

For purposes of the calculations in 2008, the following weighted average assumptions were used under the Black-Scholes model:

	2008
Risk free interest rate	2.15%
Expected dividend yield	0%
Expected stock price volatility	148%
Expected life of options	5 years

The weighted average grant date fair value of stock options granted during the year ended December 31, 2009 was $Nil (2008 - $0.03) per option.

9. RELATED PARTY TRANSACTIONS

a) The following related party transactions were recorded at their exchange amounts as agreed upon by transacting parties and on terms and conditions similar to non-related parties:

  i) The Company incurred legal fees of $21,248 (2008 - $29,690) from a law firm of which a director is a principal.

  ii) The Company incurred management fees of $108,000 (2008 - $138,000) and equipment rental charges of $13,128 (2008 - $12,893) from companies controlled by directors of the Company.

  iii) The Company incurred rent expense of $16,680 (2008 - $16,680) and office and general expenses of $3,354 (2008 - $Nil) from a company which has a common director.

b) At December 31, 2009, accounts payable and accrued liabilities included $7,603 (2008 - $4,567) for amounts due to a law firm of which a director is a member, and $1,422 (2008 - $1,390) for amounts due to a company controlled by a director.

10. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2009	2008
Canadian statutory income tax rate	30.00%	30.50%
Expected income tax recovery	$ 372,000	$ 127,000
Non-deductible expenses and others	(2,000)	(7,000)
Expiry of loss	–	(28,000)
Rate change	(46,000)	(119,800)
Valuation allowance	(324,000)	363,300
Income tax recovery	$ –	$ 335,500

10. INCOME TAXES (continued)

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

	2009	2008
Non-capital losses	$ 699,000	$ 781,000
Share issuance costs and others	46,000	64,000
Resource properties	9,000	(415,000)
Valuation allowance	(754,000)	(430,000)
Net future income tax assets	$ –	$ –

The Company has non-capital losses for income tax purposes of $2,795,000 which may be carried forward and offset against future taxable income. These losses expire from 2010 to 2028.

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion of all of the future income tax assets will not be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future income tax assets considered realizable could change materially in the near term based on future taxable income during the carry forward period.

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of mineral properties in Canada. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash and cash equivalents.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of exploration and development expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period.

12. FINANCIAL INSTRUMENTS AND RISKS

Classification

The Company has classified its cash and cash equivalents and marketable securities as held-for-trading. Accounts payable is classified as other financial liabilities.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

		2009	2008
Held for trading (i)	$	1,706,336	$ 1,000,008
Other financial liabilities (ii)		39,976	47,848

(i) Cash and cash equivalents and marketable securities
(ii) Accounts payable

Fair Value

As at December 31, 2009, the Company's financial instruments consist of cash and cash equivalents, marketable securities and accounts payable. The fair values of these financial instruments approximate their carrying values because of their current nature.

CICA 3862 "Financial Instruments – Disclosures", requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. CICA 3862 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA 3862 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The fair values of the Company's financial assets and liabilities as of December 31, 2009 were calculated as follows:

	Balance at December 31, 2009 $	Quoted Prices in Active Markets for Identical Assets (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $
Financial Assets:				
Cash and cash equivalents	1,696,970	1,696,970	–	–
Marketable securities	9,366	9,366	–	–

The Company believes that the recorded value of accounts payable approximate their current fair values because of their nature and relatively short maturity dates or durations.

12. FINANCIAL INSTRUMENTS (continued)

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity Risk

The Company ensures its holding of cash and cash equivalents is sufficient to meet its short-term exploration, development and general and administrative expenditures. The Company's cash equivalents are invested in business guaranteed investment certificates which are immediately available on demand when required. The Company does not have investments in any asset backed deposits.

Foreign Exchange Risk

The Company does not have investments in foreign countries and is not exposed to foreign exchange risk.

Interest Rate Risk

The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available in the market by the major Canadian financial institutions.

The Company has investments in guaranteed investment certificates. The following table summaries the impact of reasonable possible changes on interest rates for the Company at December 31, 2009 and 2008. The sensitivity analysis is based on the assumption that interest rate changes by 1% with all other variables remaining constant. The 1% sensitivity is based on reasonably possible changes over a financial year, using the observed range of historical rates for the preceding year.

	2009	**2008**
Impact on net loss:		
1% increase	$ 3,400	$ 3,000
1% decrease	$(3,400)	$(3,000)

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The sale of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company's investments are accounted for at estimated fair values and are sensitive to changes in market prices, such that changes in market prices result in a proportionate change in the carrying value of the Company's investments. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. SUBSEQUENT EVENT

On January 12, 2010, the Directors granted 100,000 stock options to a consultant, exercisable for up to five years at a price of $0.10 per share pursuant to the Company's stock option plan. The options granted will vest as to 25,000 shares each on the 15th days of January, February, March, and April, 2010.