

**MOUNTAIN BOY MINERALS LTD.**

**INTERIM FINANCIAL STATEMENTS**

August 31, 2009

(Unaudited – Prepared by Management)

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

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

**MOUNTAIN BOY MINERALS LTD.**  
**INTERIM BALANCE SHEETS**  
August 31, 2009 and November 30, 2008  
(Unaudited – Prepared by Management)

	<u>ASSETS</u>	August 31, <u>2009</u>	November 30, <u>2008</u>
Current			
Cash		\$ 47,197	\$ 5,747
Receivables – Note 5		176,812	38,400
Marketable securities		-	3,797
Prepaid expenses		<u>6,667</u>	<u>11,708</u>
		230,676	59,652
Exploration advances – Note 5		709,837	64,982
Reclamation deposits		85,039	60,039
Property and equipment		261,113	396,679
Mineral properties – Schedule 1 and Note 3		<u>11,286,854</u>	<u>11,721,810</u>
		<u>\$ 12,573,519</u>	<u>\$ 12,303,162</u>
	<b><u>LIABILITIES</u></b>		
Current			
Accounts payable and accrued liabilities – Note 5		\$ 50,520	\$ 812,523
GST payable		<u>123,140</u>	<u>54,006</u>
		173,660	866,529
Future income tax liability		<u>2,323,805</u>	<u>1,940,665</u>
		<u>2,497,465</u>	<u>2,807,194</u>
	<b><u>SHAREHOLDERS' EQUITY</u></b>		
Share capital – Notes 4 and 7		10,817,070	10,100,210
Contributed surplus – Note 4		2,745,650	2,510,030
Deficit		<u>(3,486,666)</u>	<u>(3,114,272)</u>
		<u>10,076,054</u>	<u>9,495,968</u>
		<u>\$ 12,573,519</u>	<u>\$ 12,303,162</u>

Nature of Operations and Ability to Continue as a Going Concern – Note 1  
Commitments – Notes 3 and 4  
Subsequent Events – Note 7

APPROVED BY THE DIRECTORS:

<u>“Frank Kamermans”</u> Frank Kamermans	Director	<u>“Randolph Kasum”</u> Randolph Kasum	Director
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SEE ACCOMPANYING NOTES

**MOUNTAIN BOY MINERALS LTD.**  
**INTERIM STATEMENTS OF OPERATIONS AND DEFICIT**  
for the three and nine months ended August 31, 2009 and 2008  
(Unaudited – Prepared by Management)

	Three months ended August 31,		Nine months ended August 31,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General and administrative expenses				
Accounting and audit fees	\$ 7,300	\$ 5,100	\$ 17,865	\$ 16,860
Amortization	474	8,557	1,420	25,670
Consulting fees – Note 5	-	-	600	15,775
Filing fees	3,185	6,999	19,742	19,799
Investor relations	3,750	14,686	26,250	78,098
Legal fees	7,167	5,194	34,274	43,134
Management fees – Note 5	15,000	15,000	45,000	45,000
Office and miscellaneous	3,250	2,503	8,332	14,091
Promotion and travel	1,435	2,787	3,258	18,876
Property investigations – Note 5	-	-	8,400	14,710
Repairs and maintenance	-	1,214	-	12,732
Stock-based compensation	50,870	154,208	235,620	600,468
Telephone	2,672	4,114	12,608	11,099
Transfer agent fees	<u>2,208</u>	<u>1,244</u>	<u>6,759</u>	<u>5,657</u>
Loss before other items	(97,311)	(221,606)	(420,128)	(921,969)
Other items				
Drilling income – Note 5	311,250	1,531,908	311,250	2,352,080
Drilling expenses and amortization	(268,837)	(610,368)	(300,611)	(1,059,659)
Gain on sale of land and building	30,492	-	30,492	-
Gain (loss) on marketable securities	-	(8,934)	142	(15,243)
Interest income – Note 5	<u>104</u>	<u>995</u>	<u>6,461</u>	<u>19,084</u>
Net income (loss) for the period	(24,302)	691,995	(372,394)	374,293
Deficit, beginning of the period	<u>(3,462,364)</u>	<u>(3,558,699)</u>	<u>(3,114,272)</u>	<u>(3,240,997)</u>
Deficit, end of the period	<u>\$ (3,486,666)</u>	<u>\$ (2,866,704)</u>	<u>\$ (3,486,666)</u>	<u>\$ (2,866,704)</u>
Basic & diluted income (loss) per share	<u>\$ (0.00)</u>	<u>\$ 0.02</u>	<u>\$ (0.01)</u>	<u>\$ 0.01</u>
Weighted average number of shares outstanding	<u>43,437,875</u>	<u>32,819,026</u>	<u>41,952,038</u>	<u>32,789,790</u>

SEE ACCOMPANYING NOTES

**MOUNTAIN BOY MINERALS LTD.**  
**INTERIM STATEMENTS OF CASH FLOWS**  
for the three and nine months ended August 31, 2009 and 2008  
(Unaudited – Prepared by Management)

	Three months ended August 31,		Nine months ended August 31,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Operating Activities</b>				
Net income (loss) for the period	\$ (24,302)	\$ 691,995	\$ (372,394)	\$ 374,293
Add (deduct) items not affecting cash:				
Amortization	25,084	8,557	38,335	25,670
Stock-based compensation	50,870	154,208	235,620	600,468
Gain on sale of land and building	(30,492)	-	(30,492)	-
Gain (loss) on marketable securities	<u>-</u>	<u>8,934</u>	<u>(142)</u>	<u>15,243</u>
	21,160	863,694	(129,073)	1,015,674
<b>Changes in non-cash working capital items related to operations:</b>				
Receivables	(176,812)	(598,147)	(138,412)	(596,557)
Prepaid expenses	-	38,032	5,041	(55,651)
Accounts payable and accrued liabilities	(27,450)	608,669	(558,575)	460,190
GST payable	11,760	-	69,134	146,126
Due to a related company	<u>(300,000)</u>	<u>24,293</u>	<u>-</u>	<u>20,108</u>
	<u>(471,342)</u>	<u>936,541</u>	<u>(751,885)</u>	<u>989,890</u>
<b>Financing Activity</b>				
Issuance of shares	<u>100,000</u>	<u>200,000</u>	<u>1,100,000</u>	<u>212,000</u>
<b>Investing Activities</b>				
Exploration advances	5,141	-	(644,855)	-
Proceeds on sale of mineral property	350,000	-	350,000	-
Proceeds on sale of land and building	90,000	-	90,000	-
Proceeds on sale of marketable securities	-	-	3,939	-
Mineral properties	(29,357)	(1,626,221)	(80,749)	(2,065,552)
Reclamation deposits	(25,000)	-	(25,000)	(13,500)
Purchase of property and equipment	<u>-</u>	<u>(31,822)</u>	<u>-</u>	<u>(193,947)</u>
	<u>390,784</u>	<u>(1,658,043)</u>	<u>(306,665)</u>	<u>(2,272,999)</u>
Increase (decrease) in cash during the period	19,442	(521,502)	41,450	(1,071,109)
Cash, beginning of the period	<u>27,755</u>	<u>482,762</u>	<u>5,747</u>	<u>1,032,369</u>
Cash, end of the period	<u>\$ 47,197</u>	<u>\$ (38,740)</u>	<u>\$ 47,197</u>	<u>\$ (38,740)</u>

Non-cash Transactions – Note 6

SEE ACCOMPANYING NOTES

**MOUNTAIN BOY MINERALS LTD.**  
**SCHEDULE OF MINERAL PROPERTIES**  
for the nine months ended August 31, 2009  
(Unaudited – Prepared by Management)

	<u>Barbara</u>	<u>Iceberg, Melt, Freeze, Red Cliff</u>	<u>Mountain Boy</u>	<u>Kansas, Indi, Silver Coin</u>	<u>Other Properties</u>	<u>Total</u>
Property acquisition costs						
Balance, November 30, 2008 and August 31, 2009	\$ 403,940	\$ 682,775	\$ 920,547	\$ 80,124	\$ 337,096	\$ 2,424,482
Deferred exploration and development costs						
Balance, November 30, 2008	<u>3,350,936</u>	<u>1,554,397</u>	<u>852,379</u>	<u>3,323,909</u>	<u>215,707</u>	<u>9,297,328</u>
Amortization	27,071	-	-	10,653	-	37,724
Assaying	-	-	-	10,955	-	10,955
Drilling	-	-	-	-	-	-
General and administration – Note 5	975	154	9,600	4,587	560	15,876
Geological – Note 5	28,879	3,600	-	8,422	-	40,901
Helicopter	-	-	-	-	-	-
Labour	705	-	-	-	-	705
Road clearing	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	-	-
Supplies and miscellaneous – Note 5	22,521	-	8,173	4,950	-	35,644
Trucking	<u>52,256</u>	<u>-</u>	<u>1,335</u>	<u>904</u>	<u>-</u>	<u>54,495</u>
	<u>132,407</u>	<u>3,754</u>	<u>19,108</u>	<u>40,471</u>	<u>560</u>	<u>196,300</u>
Less: Proceeds on sale of mineral property – Note 3	-	-	-	(350,000)	-	(350,000)
Less: Forgiveness of accounts payable – Note 3	-	-	-	(203,428)	-	(203,428)
Less: B.C. Mining Tax Credits received	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,828)</u>	<u>-</u>	<u>(77,828)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(631,256)</u>	<u>-</u>	<u>(631,256)</u>
Balance, August 31, 2009	<u>3,483,343</u>	<u>1,558,151</u>	<u>871,487</u>	<u>2,733,124</u>	<u>216,267</u>	<u>8,862,372</u>
Total	<u>\$ 3,887,283</u>	<u>\$ 2,240,926</u>	<u>\$ 1,792,034</u>	<u>\$ 2,813,248</u>	<u>\$ 553,363</u>	<u>\$ 11,286,854</u>

SEE ACCOMPANYING NOTES

**MOUNTAIN BOY MINERALS LTD.**  
**SCHEDULE OF MINERAL PROPERTIES**  
for the year ended November 30, 2008  
(Unaudited – Prepared by Management)

	<u>Barbara</u>	<u>Iceberg, Melt, Freeze, Red Cliff</u>	<u>Mountain Boy</u>	<u>Kansas, Indi, Silver Coin</u>	<u>Other Properties</u>	<u>Total</u>
Property acquisition costs						
Balance, November 30, 2007 and 2008	\$ 403,940	\$ 682,775	\$ 920,547	\$ 80,124	\$ 337,096	\$ 2,424,482
Deferred exploration and development costs						
Balance, November 30, 2007	<u>1,338,158</u>	<u>1,482,347</u>	<u>729,828</u>	<u>2,361,262</u>	<u>191,620</u>	<u>6,103,215</u>
Amortization	32,549	1,165	1,825	15,567	391	51,497
Assaying	26,860	1,272	-	67,457	-	95,589
Drilling – Note 5	640,780	8,460	9,802	233,079	-	892,121
General and administration – Note 5	36,562	1,631	4,615	13,528	23,696	80,032
Geological – Note 5	136,700	11,299	17,271	96,740	-	262,010
Helicopter	258,223	-	-	-	-	258,223
Labour	447,453	3,526	7,951	401,121	-	860,051
Road clearing	-	16,320	47,615	-	-	63,935
Stock-based compensation	-	-	9,680	-	-	9,680
Supplies and miscellaneous – Note 5	344,642	26,536	22,431	91,387	-	484,996
Trucking	<u>89,009</u>	<u>1,841</u>	<u>1,361</u>	<u>43,768</u>	<u>-</u>	<u>135,979</u>
	<u>2,012,778</u>	<u>72,050</u>	<u>122,551</u>	<u>962,647</u>	<u>24,087</u>	<u>3,194,113</u>
Balance, November 30, 2008	<u>3,350,936</u>	<u>1,554,397</u>	<u>852,379</u>	<u>3,323,909</u>	<u>215,707</u>	<u>9,297,328</u>
Total	<u>\$ 3,754,876</u>	<u>\$ 2,237,172</u>	<u>\$ 1,772,926</u>	<u>\$ 3,404,033</u>	<u>\$ 552,803</u>	<u>\$ 11,721,810</u>

SEE ACCOMPANYING NOTES

**MOUNTAIN BOY MINERALS LTD.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
August 31, 2009  
(Unaudited – Prepared by Management)

Note 1 Nature of Operations and Ability to Continue as a Going Concern

The Company's shares are listed for trading on the TSX Venture Exchange ("TSX-V").

The Company is in the exploration stage and is in the process of exploring and developing its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration expenditures are 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 of the mineral properties and upon future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At August 31, 2009, the Company had not yet achieved profitable operations and had accumulated losses of \$3,486,666 since incorporation and expects to incur further losses in the development of its business which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Interim Reporting

While the information presented in the accompanying interim financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the Company's audited November 30, 2008 annual financial statements. These interim financial statements follow the same accounting policies and methods of their application as the Company's audited November 30, 2008 annual financial statements.

Note 3 Mineral Properties

a) Barbara Property

By an agreement dated September 21, 2006, the Company acquired a 50% interest in the Barbara property which consists of ten mineral claims situated in the Skeena Mining Division of British Columbia. The Company was required to complete an 800 metre drill program on the property (completed). The property is subject to a 2% net smelter return royalty to a director of the Company of which 1% may be purchased for \$500,000.

The Company acquired the remaining 50% interest in the property by the issuance of 637,500 shares valued at \$357,000.

b) Iceberg, Melt, Freeze and Red Cliff Properties

The Company acquired a 100% interest in the Iceberg 1-23 claims, the Melt 1-27 claims, the Freeze 1-28 claims and the Red Cliff claims, all of which are located in the Skeena Mining Division in the Province of British Columbia. Total consideration paid was \$25,000 and the issuance of 850,000 common shares valued at \$647,500. The Red Cliff property is subject to a 2% net smelter return royalty of which 1% may be purchased for \$1,000,000.

During the year ended November 30, 2008, the Company entered into an option agreement to sell a 60% interest in Red Cliff claims for the following consideration:

- i) complete an exploration program on the claims in the amount of \$500,000 on or before October 28, 2009
- ii) complete an additional exploration program on the claims in the amount of \$500,000 on or before October 28, 2010
- iii) complete an additional exploration program on the claims in the amount of \$250,000 on or before October 28, 2011

c) Mountain Boy Property

The Company has a 100% interest in seven claims representing 41 units located in the Skeena Mining Division in the Province of British Columbia.

The property is subject to a 2% net smelter return royalty which may be purchased for \$1,000,000, or one half of which may be purchased for \$500,000.

Note 3      Mineral Properties – (cont'd)

d) Silver Coin, Indi and Kansas Properties

The Company has a 100% interest in the Silver Coin claims, a group of ten mineral claims located in the Skeena Mining Division of British Columbia.

Pursuant to an option agreement dated March 26, 2004, the Company acquired a 55% interest in four mineral claims contiguous to the Silver Coin claims known as the Indi claims.

In addition, the Company acquired a 29.4% interest in the Kansas claim, a claim contiguous to the Silver Coin claims.

By an agreement dated July 29, 2004, the Company granted Pinnacle Mines Ltd. (“Pinnacle”) the option to earn up to 51% of the Company’s interest in the Silver Coin, Kansas and Indi claims by incurring \$1,750,000 on exploration expenditures (incurred).

The Company and Pinnacle agreed to form a joint venture to further develop the claims. Under the terms of the option agreement, if either the Company or Pinnacle acquires properties within 10 km of the Silver Coin properties, such additional properties will be part of the joint venture.

On May 27, 2009, the Company signed a letter of intent with Pinnacle to sell 19% of the Silver Coin project (with the necessary adjustments to the Kansas and Indi claims percentages included) to Pinnacle for \$350,000. Upon closing of the transaction, Pinnacle will own a 70% interest in the Silver Coin project as a whole with the Company owning the remaining 30% interest.

Pinnacle can earn an additional 10% interest in the project by completing \$4,000,000 in exploration related expenditures within the next five years. If the Company is reduced to a 20% interest, it is carried for all future exploration expenditures. Pinnacle will take the role as operator of the Silver Coin project with the Company serving in an advisory capacity.

The Company also sold the Silver Coin field office to Pinnacle for \$90,000 resulting in a gain on sale of \$30,492.

In addition, Pinnacle forgave \$203,428 of accounts payable owed to them by the Company.

Note 3 Mineral Properties – (cont'd)

e) Other Properties

The Company has a 100% interest in mineral properties located in the Skeena Mining Division of British Columbia consisting of the following: the Marmot property, the Dunwell property, the FR property, the Dave property, the Stro property, the Booze property and the George Copper property.

The Marmot property is subject to a 1% net smelter royalty to a maximum of \$500,000.

Note 4 Share Capital and Contributed Surplus

Authorized:

Unlimited number of common shares without par value

Issued:

	<u>Share Capital</u>		<u>Contributed Surplus</u>
	<u>Number</u>	<u>Amount</u>	
Balance, November 30, 2007	32,699,026	\$ 10,297,367	\$ 1,830,780
For cash:			
Pursuant to exercise of share purchase options - at \$0.10	120,000	12,000	-
Pursuant to private placements - at \$0.20	1,000,000	200,000	-
- at \$0.15	3,178,632	476,795	-
Less: share issue costs	-	(55,287)	12,715
Stock-based compensation expense	-	-	656,855
Stock-based compensation			
Deferred exploration and development costs	-	-	9,680
Less: renunciation of flow-through shares	-	(830,665)	-
Balance, November 30, 2008	36,997,658	10,100,210	2,510,030
For cash:			
Pursuant to a private placement - at \$0.20	5,000,000	1,000,000	-
Pursuant to a private placement - at \$0.04	2,500,000	100,000	-
Stock-based compensation expense	-	-	235,620
Less: renunciation of flow-through shares	-	(383,140)	-
Balance, August 31, 2009	<u>44,497,658</u>	<u>\$ 10,817,070</u>	<u>\$ 2,745,650</u>

Note 4 Share Capital and Contributed Surplus – (cont'd)

Issued: – (cont'd)

During the nine months ended August 31, 2009, the Company issued 5,000,000 flow-through shares at \$0.20 per share pursuant to a private placement agreement for proceeds of \$1,000,000.

During the nine months ended August 31, 2009, the Company issued 2,500,000 common shares pursuant to the private placement of 2,500,000 units at \$0.04 per unit for proceeds of \$100,000. Each unit consisted of one flow-through common share and one share purchase warrant entitling the holder to purchase an additional common share at \$0.05 per share to July 10, 2010 or at \$0.10 per share to July 10, 2011.

During the year ended November 30, 2008, the Company issued 1,000,000 units at \$0.20 per unit pursuant to a private placement for proceeds of \$200,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase an additional common share at \$0.30 per share until September 2, 2010.

During the year ended November 30, 2008, the Company issued 3,178,632 units at \$0.15 per unit pursuant to a private placement for proceeds of \$476,795. Each unit consisted of one flow-through common share and one share purchase warrant entitling the holder to purchase an additional common share at \$0.25 until September 17, 2010. The Company paid finder's fees of \$42,571 and issued 317,863 compensation units. Each compensation unit is exercisable at \$0.15 into one common share and one share purchase warrant entitling the holder to purchase an additional common share at \$0.25 until September 17, 2010.

Commitments:

Share Purchase Warrants:

A summary of share purchase warrant activity is presented below:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding, November 30, 2007	13,680,397	\$0.77
Issued	4,178,632	\$0.26
Expired	<u>(7,547,730)</u>	<u>\$0.79</u>
Outstanding, November 30, 2008	10,311,299	\$0.54
Issued	2,500,000	\$0.05
Expired	<u>(1,799,000)</u>	<u>\$0.85</u>
Outstanding, August 31, 2009	<u>11,012,299</u>	<u>\$0.38</u>

Note 4 Share Capital and Contributed Surplus – (cont'd)

Commitments: – (cont'd)

Share Purchase Warrants:

At August 31, 2009, there were 11,012,299 share purchase warrants outstanding entitling the holders to purchase one common share for each warrant held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,667,000	\$0.70	September 21, 2009
500,000	\$0.60	September 21, 2009
500,000	\$0.70	October 9, 2009
1,666,667	\$0.70	October 23, 2009
1,000,000	\$0.30	September 2, 2010
3,178,632	\$0.25	September 17, 2010
<u>2,500,000</u>	\$0.05/\$0.10	July 10, 2010/2011
<u>11,012,299</u>		

Compensation Units:

During the year ended November 30, 2008, in connection with the private placements, the Company issued 317,863 compensation units. Each compensation unit is exercisable at \$0.15 into one common share and one share purchase warrant entitling the holder to purchase an additional common share at \$0.25 until September 17, 2010.

The fair value of the compensation units of \$12,715 was included in share issue costs for the year ended November 30, 2008 and was determined using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0.0%
Expected volatility	51.1%
Risk-free interest rate	2.43%
Expected term in years	2 years

Note 4 Share Capital and Contributed Surplus – (cont'd)

Commitments: – (cont'd)

Compensation Units:

A summary of compensation unit activity is presented below:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding, November 30, 2007	1,247,480	\$0.55
Issued	317,863	\$0.15
Expired	<u>(739,553)</u>	<u>\$0.52</u>
Outstanding, November 30, 2008	825,790	\$0.43
Expired	<u>(167,900)</u>	<u>\$0.60</u>
Outstanding, August 31, 2009	<u>657,890</u>	<u>\$0.38</u>

At August 31, 2009, there were 657,890 compensation units outstanding as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
133,360	\$0.60	September 21, 2009
40,000	\$0.60	September 21, 2009
166,667	\$0.60	October 23, 2009
<u>317,863</u>	\$0.15	September 17, 2010
<u>657,890</u>		

Stock-based Compensation Plan:

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 20% of the outstanding common shares of the Company, as at the date of the grant, both in aggregate and in any one-year period. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant, both in aggregate and in any one-year period. Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company.

Under the stock option plan, 25% of the options vest when granted and 12½ % vest every three months thereafter.

Note 4 Share Capital and Contributed Surplus – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan:

During the year ended November 30, 2008, the Company adopted Shareholder Rights Plan Agreement. The shareholder rights plan has been adopted to ensure the fair treatment of all shareholders with respect to any takeover bid for the common shares of the Company. It is designed to provide shareholders with sufficient time to properly consider a takeover bid without undue time constraints. In addition, it will provide the board with additional time for review and consideration of an unsolicited takeover bid.

A summary of stock option plan activity is presented below:

	Nine months ended August 31, <u>2009</u>		Year ended November 30, <u>2008</u>	
	<u>Options</u>	Weighted Average Exercise <u>Price</u>	<u>Options</u>	Weighted Average Exercise <u>Price</u>
Outstanding, beginning of period	6,399,000	\$0.31	4,935,000	\$0.53
Granted	2,474,000	\$0.10	1,850,000	\$0.28
Exercised	-	-	(120,000)	\$0.10
Expired	<u>(244,000)</u>	\$0.32	<u>(266,000)</u>	\$0.51
Outstanding, end of period	<u>8,629,000</u>	\$0.12	<u>6,399,000</u>	\$0.31
Exercisable, end of period	<u>7,392,000</u>	\$0.13	<u>5,705,250</u>	\$0.31

The weighted average fair value of the 2,474,000 share purchase options granted during the nine months ended August 31, 2009 of \$0.04 was determined using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0.0%
Expected volatility	88.1%
Risk-free interest rate	2.48%
Expected term in years	5 years

The weighted average fair value of the 1,850,000 share purchase options granted during the year ended November 30, 2008 of \$0.17 was determined using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0.0%
Expected volatility	102.7% - 103.4%
Risk-free interest rate	3.23%
Expected term in years	5 years

Note 4 Share Capital and Contributed Surplus – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan: – (cont'd)

At August 31, 2009, there were 8,629,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
250,000	\$0.10	September 3, 2009
300,000	\$0.10	November 30, 2009
164,000	\$0.10	December 13, 2009
305,000	\$0.10	December 22, 2009
250,000	\$0.10	April 1, 2010
500,000	\$0.10	September 1, 2010
370,000	\$0.10	March 24, 2011
60,000	\$0.60	April 7, 2011
75,000	\$0.10	October 19, 2011
1,061,000	\$0.10	January 26, 2012
100,000	\$0.25	January 26, 2012
350,000	\$0.10	January 26, 2012
250,000	\$0.69	February 12, 2012
270,000	\$0.10	March 6, 2012
1,650,000	\$0.10	January 25, 2013
200,000	\$0.10	February 25, 2013
<u>2,474,000</u>	<u>\$0.10</u>	<u>January 8, 2014</u>
<u>8,629,000</u>		

On April 23, 2009, the Company received disinterested shareholder approval to re-price 5,889,000 share purchase options outstanding at November 30, 2008 exercisable at prices of between \$0.22 and \$0.70 per share to a price of \$0.10 per share. The re-pricing resulted in a stock based compensation charge of \$70,640.

On May 22, 2008, the Company received disinterested shareholder approval to re-price 2,745,000 share purchase options outstanding at November 30, 2007 exercisable at prices of between \$0.33 and \$0.79 per share to a price of \$0.25 per share. The re-pricing resulted in a stock based compensation charge of \$123,230.

As of August 31, 2009, the 8,629,000 share purchase options outstanding have a weighted average remaining contractual life of 2.75 years.

Note 5 Related Party Transactions

The Company incurred the following charges by directors of the Company or by companies with directors in common with the Company during the nine months ended August 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Mineral properties		
Deferred exploration costs		
Drilling	\$ -	\$ 66,225
General and administration	9,600	15,100
Geological	27,600	97,350
Supplies and miscellaneous	-	19,470
Consulting fees	600	9,775
Management fees	45,000	45,000
Property investigations	<u>8,400</u>	<u>-</u>
	<u>\$ 91,200</u>	<u>\$ 252,920</u>

During the nine months ended August 31, 2009, drilling income included \$300,000 (August 31, 2008: \$762,338) charged to a company with directors in common with the Company.

During the nine months ended August 31, 2008, interest income included \$3,750 charged to a company with directors in common with the Company.

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

At August 31, 2009, receivables included \$65,000 (November 30, 2008: \$38,400) due from a company with directors in common with the Company.

At August 31, 2009, exploration advances included \$4,000 (November 30, 2008: \$41,919) for prepaid rent and for expense advances to directors of the Company or to companies with directors in common with the Company.

At August 31, 2009, accounts payable and accrued liabilities included \$3,737 (November 30, 2008: \$106,151) due to directors of the Company or to companies with directors in common with the Company.

Note 6      Non-Cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions were excluded from the statement of cash flows:

During the nine months ended August 31, 2009:

- a) The Company capitalized amortization on property and equipment of \$37,724 to mineral properties.
- b) The Company renounced exploration expenditures of \$ \$1,473,616 to investors and recorded a charge of \$383,140 to share capital and a corresponding future income tax liability.
- c) The Company recorded a credit to mineral properties of \$203,428 with respect to a gain on forgiveness of accounts payable.

During the nine months ended August 31, 2008:

- a) The Company capitalized amortization on property and equipment of \$51,769 to mineral properties.
- b) The Company renounced exploration expenditures of \$ \$3,194,867 to investors and recorded a charge of \$830,665 to share capital and a corresponding future income tax liability.
- c) The Company capitalized stock based compensation of \$9,680 to mineral properties.

Note 7      Subsequent Events

Subsequent to August 31, 2009:

- a) The Company issued 4,545,454 common shares pursuant to a private placement of 4,545,454 units at \$0.11 per unit for proceeds of \$500,000. Each unit contained one flow-through common share and one non-flow-through share purchase warrant entitling the holder to purchase an additional common share at \$0.15 for two years.

The Company paid finder's fees of \$25,000 and corporate finance fees of \$19,643 with respect to this private placement. In addition, the Company issued 454,545 compensation units exercisable at \$0.11 per unit for two years. Each unit will consist of one common share and one share purchase warrant with each warrant entitling the holder to purchase an additional common share at \$0.15 for two years.

- b) The Company issued 240,500 common shares pursuant to the exercise of 240,500 stock options at \$0.10 per share for proceeds of \$24,050.

Note 7      Subsequent Events – (cont'd)

- c) The Company issued 600,000 common shares pursuant to the exercise of 600,000 share purchase warrants at \$0.05 per share for proceeds of \$30,000.
- d) The Company announced that, pursuant to a second agreement with a public company with directors in common with the Company, it had granted the company the right to earn an additional 20% in the Red Cliff property, increasing the company's interest to up to 80% in the Red Cliff property. In order to earn the additional 20% interest, the company will issue 250,000 common shares, spend \$3,000,000 in the two years subsequent to its 60% earn-in, pay \$100,000 within 6 months and pay \$500,000 upon earn-in of the 80% interest.

The second agreement was conditionally approved by the TSX-V subject to the Company providing evidence of value to the TSX-V and to disinterested shareholder approval which will be sought at a special meeting of the Company's shareholders.