

DECADE RESOURCES LTD.
INTERIM FINANCIAL STATEMENTS
October 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 a review of interim financial statements by an entity's auditor.

DECADE RESOURCES LTD.
INTERIM BALANCE SHEETS
October 31, 2009 and April 30, 2009
(Unaudited – Prepared by Management)

	<u>ASSETS</u>	October 31, <u>2009</u>	April 30, <u>2009</u>
Current			
Cash		\$ 1,607,860	\$ 24,555
GST recoverable		73,376	1,866
Prepaid expenses and advances – Notes 6 and 8		<u>23,383</u>	<u>3,883</u>
		1,704,619	30,304
Drilling advance – Note 6		-	300,000
Reclamation deposit		6,000	6,000
Equipment		14,396	-
Mineral properties – Schedule 1 and Notes 3 and 6		1,902,073	507,973
Oil and gas property – Note 4		<u>245,256</u>	<u>234,004</u>
		<u>\$ 3,872,344</u>	<u>\$ 1,078,281</u>

LIABILITIES

Current			
Accounts payable and accrued liabilities – Note 6		\$ <u>553,345</u>	\$ <u>27,781</u>

SHAREHOLDERS' EQUITY

Share capital – Note 5		3,661,998	1,302,035
Contributed surplus – Note 5		763,783	528,808
Deficit		<u>(1,106,782)</u>	<u>(780,343)</u>
		<u>3,318,999</u>	<u>1,050,500</u>
		<u>\$ 3,872,344</u>	<u>\$ 1,078,281</u>

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitments – Notes 3, 4, and 5
Subsequent Event – Note 8

APPROVED BY THE DIRECTORS:

<u>“Edward Kruchowski”</u> Edward Kruchowski	Director	<u>“Randolph Kasum”</u> Randolph Kasum	Director
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SEE ACCOMPANYING NOTES

DECADE RESOURCES LTD.
INTERIM STATEMENTS OF OPERATIONS AND DEFICIT
for the three and six months ended October 31, 2009 and 2008
(Unaudited – Prepared by Management)

	Three months ended October 31,		Six months ended October 31,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General and administrative expenses				
Accounting and audit fees	\$ 11,687	\$ 2,388	\$ 14,937	\$ 4,488
Amortization	1,167	-	1,167	-
Consulting fees	6,500	-	6,500	-
Filing fees	22,371	3,276	27,091	3,311
Legal fees	53,818	25,123	65,128	45,629
Management fees – Note 6	43,500	12,000	55,500	24,000
Office and miscellaneous	6,510	220	6,531	1,230
Property investigations – Note 6	528	-	26,128	-
Rent – Note 6	3,500	-	3,500	-
Shareholder communications	13,626	-	13,626	-
Stock-based compensation – Note 5	5,125	65,269	75,519	130,538
Transfer agent fees	6,569	2,302	8,947	4,182
Travel and entertainment	<u>20,172</u>	<u>-</u>	<u>23,104</u>	<u>-</u>
Loss before other item and income taxes	(195,073)	(110,578)	(327,678)	(213,378)
Other item				
Interest income	<u>-</u>	<u>-</u>	<u>1,239</u>	<u>-</u>
Loss before income taxes	(195,073)	(110,578)	(326,439)	(213,378)
Recovery of future income tax	<u>-</u>	<u>33,632</u>	<u>-</u>	<u>33,632</u>
Net loss for the period	(195,073)	(76,946)	(326,439)	(179,746)
Deficit, beginning of the period	<u>(911,709)</u>	<u>(524,031)</u>	<u>(780,343)</u>	<u>(421,231)</u>
Deficit, end of the period	<u>\$ (1,106,782)</u>	<u>\$ (600,977)</u>	<u>\$ (1,106,782)</u>	<u>\$ (600,977)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding	<u>20,199,847</u>	<u>9,859,819</u>	<u>17,827,972</u>	<u>9,826,911</u>

SEE ACCOMPANYING NOTES

DECADE RESOURCES LTD.
INTERIM STATEMENTS OF CASH FLOWS
for the three and six months ended October 31, 2009 and 2008
(Unaudited – Prepared by Management)

	Three months ended October 31,		Six months ended October 31,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Operating Activities				
Net loss for the period	\$ (195,073)	\$ (76,946)	\$ (326,439)	\$ (179,746)
Add (deduct) items not affecting cash:				
Recovery of future income tax	-	(33,632)	-	(33,632)
Amortization	1,167	-	1,167	-
Stock-based compensation	<u>5,125</u>	<u>65,269</u>	<u>75,519</u>	<u>130,538</u>
	(188,781)	(45,309)	(249,753)	(82,840)
Changes in non-cash working capital items related to operations:				
GST recoverable	(62,171)	(2,576)	(71,510)	(5,446)
Prepaid expenses and advances	19,100	-	(19,500)	-
Accounts payable and accrued liabilities	508,505	(12,298)	525,564	32,701
Due to a related company	<u>-</u>	<u>(91,600)</u>	<u>-</u>	<u>(115,723)</u>
	<u>276,653</u>	<u>(151,783)</u>	<u>184,801</u>	<u>(171,308)</u>
Financing Activities				
Issuance of shares for cash	<u>2,284,419</u>	<u>138,590</u>	<u>2,519,419</u>	<u>160,590</u>
Investing Activities				
Purchase of equipment	(15,563)	-	(15,563)	(6,391)
Mineral property costs	(953,859)	-	(1,094,100)	(6,391)
Oil and gas property costs	<u>(11,252)</u>	<u>(17,447)</u>	<u>(11,252)</u>	<u>(52,466)</u>
	<u>(980,674)</u>	<u>(17,447)</u>	<u>(1,120,915)</u>	<u>(58,857)</u>
Decrease in cash during the period	1,580,398	(30,640)	1,583,305	(69,575)
Cash, beginning of the period	<u>27,462</u>	<u>36,001</u>	<u>24,555</u>	<u>74,936</u>
Cash, end of the period	<u>\$ 1,607,860</u>	<u>\$ 5,361</u>	<u>\$ 1,607,860</u>	<u>\$ 5,361</u>
Supplemental disclosure information:				
Cash paid for:				
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Non-cash Transactions – Note 7

SEE ACCOMPANYING NOTES

DECADE RESOURCES LTD.
SCHEDULE OF MINERAL PROPERTIES
for the six months ended October 31, 2009

	<u>Silver Crown</u>	<u>Red Cliff</u>	<u>Kitimat</u>	<u>Total</u>
Property acquisition costs				
Balance, beginning of period	\$ 35,000	\$ -	\$ -	\$ 35,000
Cash	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Balance, end of period	<u>35,000</u>	<u>-</u>	<u>100,000</u>	<u>135,000</u>
Deferred exploration costs				
Balance, beginning of period	463,703	9,270	-	507,973
Assays	-	11,950	-	11,950
Assessment fees	-	-	8,933	8,933
BC Mining tax credits	(94,207)	-	-	(94,207)
Drilling – Note 6	-	785,077	-	785,077
Equipment rental – Note 6	-	119,905	-	119,905
Field and supplies	-	71,285	2,374	73,659
Helicopter	-	60,063	-	60,063
Geological – Note 6	563	51,007	7,081	58,651
Labour	-	26,139	-	26,139
Road building – Note 6	-	175,130	-	175,130
Supervision – Note 6	<u>-</u>	<u>68,800</u>	<u>-</u>	<u>68,800</u>
Balance, end of period	<u>370,059</u>	<u>1,378,626</u>	<u>18,388</u>	<u>1,767,073</u>
Total	<u>\$ 405,059</u>	<u>\$ 1,378,626</u>	<u>\$ 118,388</u>	<u>\$ 1,902,073</u>

SEE ACCOMPANYING NOTES

DECADE RESOURCES LTD.
SCHEDULE OF MINERAL PROPERTIES
for the year ended April 30, 2009

	<u>Silver Crown</u>	<u>Red Cliff</u>	<u>Wollaston Lake</u>	<u>Total</u>
Property acquisition costs				
Balance, beginning and end of year	\$ 35,000	\$ -	\$ 62,400	\$ 97,400
Deferred exploration costs				
Balance, beginning of year	453,725	-	46,300	500,025
Advances (applied)	(5,000)	3,000	-	(2,000)
Geological – Note 6	7,655	1,650	236	9,541
Labour	1,500	-	-	1,500
Road clearing	<u>5,823</u>	<u>4,620</u>	<u>-</u>	<u>10,443</u>
Balance, end of year	<u>463,703</u>	<u>9,270</u>	<u>46,536</u>	<u>519,509</u>
Mineral property written off	<u>-</u>	<u>-</u>	<u>(108,936)</u>	<u>(108,936)</u>
Total	<u>\$ 498,703</u>	<u>\$ 9,270</u>	<u>\$ -</u>	<u>\$ 507,973</u>

SEE ACCOMPANYING NOTES

DECADE RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
October 31, 2009
(Unaudited – Prepared by Management)

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

The Company was incorporated under the laws of the Province of British Columbia on March 3, 2006 and its shares are traded on the TSX Venture Exchange (“TSX-V”).

The Company is in the exploration stage and is in the process of exploring and developing its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying claims, the ability of the Company to obtain necessary financing to complete the development of the resource 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 October 31, 2009, the Company has not achieved profitable operations, has accumulated losses of \$1,106,782 since incorporation and expects to incur further losses in the development of its business, all of 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 April 30, 2009 annual financial statements. These interim financial statements follow the same accounting policies and methods of their application as the Company’s audited April 30, 2009 annual financial statements.

Note 3 Mineral Properties

a) Silver Crown

By an option agreement dated December 1, 2006 and an amending agreement dated November 1, 2008, the Company has the option to acquire a 100% interest in the Silver Crown Property, which consists of one mineral claim situated in the Skeena Mining Division in the Province of British Columbia. The property is subject to a 2% net smelter return royalty. Consideration to earn the 100% interest is as follows:

Cash payments:

- i) \$10,000 to be paid on the execution of this letter agreement (paid);
- ii) a further \$15,000 to be paid on or before November 17, 2007 (paid);
- iii) a further \$45,000 to be paid on or before November 17, 2009 (paid subsequent);
- iv) a further \$30,000 to be paid on or before November 17, 2010.

Common share issuances:

- i) 100,000 shares in the common stock of the Company (issued); and
- ii) an additional 200,000 shares in the common stock of the Company on or before November 17, 2010.

Expenditures totalling \$1,500,000:

- i) \$100,000 before December 31, 2007 (incurred);
- ii) \$300,000 in aggregate before December 31, 2008 (incurred);
- iii) \$600,000 in aggregate before December 31, 2009;
- iv) \$1,000,000 in aggregate before December 31, 2010; and
- v) \$1,500,000 in aggregate before December 31, 2011.

b) Red Cliff

On November 19, 2008, the Company entered into an option agreement with Mountain Boy Minerals Ltd. (“Mountain Boy”), a company with directors in common with the Company to acquire a 60% interest in the Red Cliff property located approximately 25 miles north of Stewart, British Columbia. In order to earn the 60% interest the Company must incur exploration expenditures on the property of \$500,000 in the first year, \$500,000 in the second year and \$250,000 in the third year.

Note 3 Mineral Properties – (cont'd)

b) Red Cliff – (cont'd)

On September 3, 2009, the Company announced that pursuant to a second agreement, Mountain Boy 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 order to earn the additional 20% interest, the Company will issue 250,000 common shares on signing of the second agreement, spend \$3,000,000 in the two years subsequent to its 60% earn-in, pay \$100,000 within 6 months of signing the second agreement and pay \$500,000 upon earn-in of the 80% interest. The second agreement has been conditionally approved subject to Mountain Boy providing the TSX-V with evidence of value and receiving disinterested shareholder approval at a special meeting of its shareholders.

c) Kitimat

On October 16, 2009, the Company acquired a 100% interest in three mineral claims located near Kitimat, British Columbia for \$100,000. The claims are subject to a 2% net smelter return royalty.

d) Wollaston Lake

The Company had a 100 % interest in eight mineral claims located in the Wollaston Lake area of Saskatchewan. Management decided not to proceed with this property and the total costs incurred of \$108,936 were written off during the year ended April 30, 2009.

Note 4 Oil and Gas Property

Pink Mountain

	October 31, <u>2009</u>	April 30, <u>2009</u>
Acquisition costs	\$ 153,858	\$ 153,858
Assessment fees	22,504	11,252
Field expenses	3,514	3,514
Helicopter	21,242	21,242
Geological	<u>44,138</u>	<u>44,138</u>
	<u>\$ 245,256</u>	<u>\$ 234,004</u>

The Company acquired a 100% interest in an oil and gas license located in British Columbia from a company with directors in common with the Company for \$153,858 and the possible future issuance of 1,000,000 common shares. The shares are to be issued if and when the property is placed into commercial production of more than 50 barrels of oil per day for 30 consecutive days. The license will expire September 13, 2013.

Note 5 Share Capital and Contributed Surplus

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

	<u>Number of Shares</u>	<u>Amount</u>	<u>Contributed Surplus</u>
Balance, April 30, 2008	9,790,000	895,535	216,130
For cash:			
Exercise of warrants - at \$0.20	10,000	2,000	-
Private placements - at \$0.15	1,663,665	249,550	-
Private placements - at \$0.17	2,852,940	485,000	-
Less: share issue costs	-	(105,541)	31,382
Agent's warrants issued - at \$0.20	-	(9,970)	9,970
Stock-based compensation	-	-	271,326
Recovery of future income tax	-	(214,539)	-
	<u> </u>	<u> </u>	<u> </u>
Balance, April 30, 2009	14,316,605	1,302,035	528,808
For cash:			
Private placements - at \$0.05	3,000,000	150,000	-
Private placements - at \$0.06	1,416,666	85,000	-
Private placements - at \$0.32	937,500	300,000	-
Private placements - at \$0.89	2,023,034	1,800,500	-
Exercise of warrants - at \$0.20	1,630,032	326,006	-
Exercise of options - at \$0.11	3,750	413	-
Less: share issue costs	-	(142,500)	-
Finder's fee units - at \$0.32	39,938	-	-
Agent's units issued - at \$0.32	-	(159,831)	159,831
Re-class of contributed surplus on exercise of options	-	375	(375)
Stock-based compensation	-	-	75,519
	<u> </u>	<u> </u>	<u> </u>
Balance, October 31, 2009	<u>23,367,525</u>	<u>\$ 3,661,998</u>	<u>\$ 763,783</u>

During the year ended April 30, 2009, the Company issued 1,100,665 common shares pursuant to a private placement of 1,100,665 units at \$0.15 per unit for gross proceeds of \$165,100. Each unit contained one common share and one non-flow-through share purchase warrant entitling the holder to purchase an additional common share at \$0.20 per share until October 27, 2010. The common shares issued were comprised of 700,666 flow-through shares and 399,999 non-flow-through shares. Share issue costs of \$6,510 were incurred on the private placement. In addition, the Company issued 43,400 agent's warrants.

Note 5 Share Capital and Contributed Surplus – (cont'd)

b) Issued:

The fair value of the agent's warrants of \$4,340 was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.25%
Expected dividend yield	0%
Expected volatility	150.2%
Expected life	2 years

During the year ended April 30, 2009, the Company issued 563,000 common shares pursuant to a private placement of 563,000 units at \$0.15 per unit for gross proceeds of \$84,450. Each unit contained one common flow-through share and one share purchase warrant entitling the holder to purchase an additional non-flow-through common share at \$0.20 per share until November 26, 2010. Share issue costs of \$12,220 were incurred on the private placement. In addition, the Company issued 56,300 agent's warrants.

The fair value of the agent's warrants of \$5,630 was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.25%
Expected dividend yield	0%
Expected volatility	144.7%
Expected life	2 years

During the year ended April 30, 2009, the Company issued 2,852,940 common shares pursuant to a private placement of 2,852,940 units at \$0.17 per unit for total proceeds of \$485,000. 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 \$0.25 until December 15, 2010. The Company paid finder's fees of \$55,429 and issued 285,294 compensation units. Each compensation unit is exercisable at \$0.17 into one common share and one share purchase warrant entitling the holder to purchase an additional common share at \$0.25 until December 15, 2010.

The fair value of the compensation units of \$31,382 was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.61%
Expected dividend yield	0%
Expected volatility	73.2%
Expected life	2 years

Note 5 Share Capital and Contributed Surplus – (cont'd)

b) Issued:

During the three months ended July 31, 2009, the Company issued 3,000,000 common shares pursuant to a private placement of 3,000,000 units at \$0.05 per unit for gross proceeds of \$150,000. Each unit contained one flow-through common share and one share purchase warrant entitling the holder to purchase an additional common share at \$0.10 per share until July 15, 2011.

During the three months ended July 31, 2009, the Company issued 1,416,666 common shares pursuant to a private placement of 1,416,666 units at \$0.06 per unit for gross proceeds of \$85,000. Each unit contained one common share and one share purchase warrant entitling the holder to purchase an additional common share at \$0.10 per share until June 24, 2011.

During the three months ended October 31, 2009, the Company issued 1,573,034 common shares pursuant to a private placement of 1,573,034 units at \$0.89 per unit for gross proceeds of \$1,400,000. Each unit contained one flow-through common share and one-half non-flow-through share purchase warrant entitling the holder to purchase an additional common share for each full warrant held at \$1.00 until October 8, 2011. The Company paid finder's fees of \$137,500 and issued 151,685 agent's compensation units. Each compensation unit is exercisable at \$0.89 into one common share and one-half a share purchase warrant entitling the holder to purchase an additional common share for each full warrant held at \$1.00 until October 8, 2011.

The fair value of the compensation units of \$147,134 was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.88%
Expected dividend yield	0%
Expected volatility	197.9%
Expected life	2 years

During the three months ended October 31, 2009, the Company issued 450,000 common shares pursuant to a private placement of 450,000 units at \$0.89 per unit for gross proceeds of \$400,500. Each unit contained one flow-through common share and one-half non-flow-through share purchase warrant entitling the holder to purchase an additional common share for each full warrant held at \$1.00 until October 20, 2011. The Company paid finder's fees of \$5,000 and issued 11,236 agent's compensation units. Each compensation unit is exercisable at \$0.89 into one common share and one-half a share purchase warrant entitling the holder to purchase an additional common share for each full warrant held at \$1.00 until October 20, 2011.

Note 5 Share Capital and Contributed Surplus – (cont'd)

b) Issued:

The fair value of the compensation units of \$12,697 was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.88%
Expected dividend yield	0%
Expected volatility	259.7%
Expected life	2 years

During the three months ended October 31, 2009, the Company issued 937,500 common shares pursuant to a private placement of 937,500 units at \$0.32 per unit for gross proceeds of \$300,000. 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 \$0.43 until October 15, 2011. The Company issued 39,938 units as finder's fees with the same terms as those issued pursuant to the private placement.

c) Escrow:

Pursuant to escrow agreements dated May 15, 2007 and July 16, 2007, 3,870,000 common shares were held in escrow to be released in equal tranches at six-month intervals over the 36 months following December 18, 2007, the date the Company's common shares were listed for trading on the TSX Venture Exchange.

At October 31, 2009, there were 1,935,000 (April 30, 2009: 2,580,000) common shares held in escrow.

Note 5 Share Capital and Contributed Surplus – (cont'd)

d) Commitments:

Share Purchase Warrants:

At October 31, 2009, the Company had 9,391,894 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Expiry Date</u>
133,333	\$0.20	October 27, 2010
2,852,940	\$0.25	December 15, 2010
1,416,666	\$0.10	June 24, 2011
3,000,000	\$0.10	July 15, 2011
786,517	\$1.00	October 8, 2011
977,438	\$0.43	October 15, 2011
<u>225,000</u>	<u>\$1.00</u>	October 20, 2011
<u>9,391,894</u>	<u>\$0.28</u>	

A summary of share purchase warrant activity for the year ended April 30, 2009 and the six months ended October 31, 2009 is presented below:

	<u>Six months ended October 31, 2009</u>		<u>Year ended April 30, 2009</u>	
	<u>Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Warrants</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of Period	4,616,305	\$0.23	3,150,000	\$0.21
Issued	6,405,621	\$0.29	4,616,305	\$0.23
Expired	-	-	(3,140,000)	\$0.21
Exercised	<u>(1,630,032)</u>	\$0.20	<u>(10,000)</u>	\$0.20
Outstanding, end of period	<u>9,391,894</u>	\$0.28	<u>4,616,305</u>	\$0.23

Note 5 Share Capital and Contributed Surplus – (cont'd)

d) Commitments:

Compensation Units:

A summary of compensation unit activity for the year ended April 30, 2009 and the six months ended October 31, 2009 is presented below:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding, April 30, 2008	-	-
Issued	<u>285,294</u>	<u>\$0.17</u>
Outstanding, April 30, 2009	285,294	\$0.17
Issued	151,685	\$0.89
Issued	<u>11,236</u>	<u>\$0.89</u>
Outstanding, October 31, 2009	<u>448,215</u>	<u>\$0.43</u>

At October 31, 2009, the Company had 448,215 agent's compensation units outstanding as follows:

<u>Number of Units</u>	<u>Weighted Average Exercise Price</u>	<u>Expiry Date</u>
285,294	\$0.17	December 15, 2010
151,685	\$0.89	October 8, 2011
<u>11,236</u>	<u>\$0.89</u>	October 20, 2011
<u>448,215</u>	<u>\$0.43</u>	

Note 5 Share Capital and Contributed Surplus – (cont'd)

d) Commitments:

Stock-based Compensation Plan:

The Company has a Stock Option Plan (“the Plan”) under which it is authorized to grant options to directors, officers, consultants or employees of the Company. The number of options granted under the Plan is limited to 20% in the aggregate of the number of issued and outstanding common shares of the Company at the date of the grant of the options. The exercise price of options granted under the Plan may not be less than the fair market value of the Company’s common shares at the date the options are granted. Options granted under the Plan have a maximum life of five years and are vested 25% on the date of grant and 12.5% each three months thereafter.

A summary of the Company’s share purchase options activity for the year ended April 30, 2009 and the six months ended October 31, 2009 is presented below:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Life Remaining</u>
Outstanding, April 30, 2008	1,550,000	\$0.45	4.04 years
Granted	<u>410,000</u>	<u>\$0.11</u>	
Outstanding, April 30, 2009	1,960,000	\$0.38	3.45 years
Exercised	<u>3,750</u>	<u>\$0.11</u>	
Outstanding, October 31, 2009	<u>1,956,250</u>	<u>\$0.38</u>	2.94 years
Exercisable, October 31, 2009	<u>1,751,250</u>	<u>\$0.41</u>	

At October 31, 2009, the Company had 1,956,250 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,550,000	\$0.45	May 15, 2012
<u>406,250</u>	\$0.11	April 23, 2014
<u>1,956,250</u>		

Note 5 Share Capital and Contributed Surplus – (cont'd)

d) Commitments:

Stock-based Compensation Plan:

During the year ended April 30, 2009, the Company granted stock options to directors to acquire 410,000 shares at \$0.11 per share exercisable to April 23, 2014.

During the six months ended October 31, 2009, a stock-based compensation charge of \$10,250 (2008: \$Nil) was expensed in the statement of operations and credited to contributed surplus with respect to these options. The fair value of the options was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.78%
Expected dividend yield	0%
Expected volatility	168%
Expected life	5 years

During the year ended April 30, 2008, the Company granted stock options to directors to acquire 1,550,000 shares at \$0.45 per share exercisable to May 15, 2012.

During the six months ended October 31, 2009, a stock-based compensation charge of \$65,269 (2008: \$130,538) was expensed in the statement of operations and credited to contributed surplus with respect to these options. The fair value of the options was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	4.27%
Expected dividend yield	0%
Expected volatility	97%
Expected life	5 years

Note 6 Related Party Transactions

During the six months ended October 31, 2009 and 2008, the Company incurred the following charges from directors of the Company, companies with directors in common with the Company and a company who is a major shareholder of the Company:

	<u>2009</u>	<u>2008</u>
Deferred exploration costs – drilling	\$ 731,120	\$ -
Deferred exploration costs – equipment rental	119,905	-
Deferred exploration costs – geological	46,200	5,000
Deferred exploration costs – road building	148,912	-
Deferred exploration costs – supervision	68,800	-
Management fees	55,500	24,000
Property investigations	25,600	-
Rent	<u>3,500</u>	<u>-</u>
	<u>\$ 1,199,537</u>	<u>\$ 29,000</u>

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

At October 31, 2009, prepaid expenses and advances includes \$17,000 (April 30, 2009: \$Nil) advanced to a director of the Company and to a company with a director in common with the Company.

At October 31, 2009, the Company had advanced \$Nil (April 30, 2009: \$300,000) for a drilling program to be undertaken on the Red Cliff property by another public company with directors in common with the Company.

At October 31, 2009, accounts payable and accrued liabilities includes \$454,655 (April 30, 2009: \$Nil) owed to directors of the Company, to companies with directors in common with the Company and to a company who is a major shareholder of the Company.

Note 7 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 statements of cash flows:

During the six months ended October 31, 2009:

- a) The Company issued 162,921 agent's units with a fair value of \$159,831 with respect to share issue costs.
- b) The Company reclassified \$375 to share capital from contributed surplus for the fair value of 3,750 options exercised.
- c) The Company applied a drilling advance of \$300,000 on hand at April 30, 2009 against drilling services received in the current period.

During the six months ended October 31, 2008:

- d) The Company issued 43,400 agent's warrants with a fair value of \$4,340 with respect to share issue costs.
- e) The Company renounced exploration expenditures of \$105,100 to investors and recorded a future income tax recovery of \$33,632.

Note 8 Subsequent Event

On November 23, 2009, the Company entered into an agreement to purchase thirty five mineral claims located northwest of Kitimat, British Columbia for \$5,000 and 200,000 common shares. At October 31, 2009, the \$5,000 was included in prepaid expenses and advances. Regulatory approval for the agreement was received on December 2, 2009 and the 200,000 common shares were issued at \$0.28 per share being the closing price of the Company's shares on that date.