Financial Statements of:

# PACIFIC WILDCAT RESOURCES CORP.

(An Exploration Stage Company)

June 30, 2009

**BDO Dunwoody LLP**
Chartered Accountants

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# Auditors' Report

To the Shareholders of
Pacific Wildcat Resources Corporation

We have audited the balance sheet of Pacific Wildcat Resources Corporation as at June 30, 2009 and the statement of operations and deficit and cash flows for the year 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 audit.

We conducted our audit 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 June 30, 2009 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

The financial statements as at June 30, 2008 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated October 17, 2008.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

October 23, 2009
Vancouver, British Columbia

**PACIFIC WILDCAT RESOURCES CORP.**
(An Exploration Stage Company)
Balance Sheets at June 30

| | | 2009 | | 2008 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current | | | | |
| Cash | $ | **452,721** | $ | 120,493 |
| Receivables | | **4,496** | | 3,716 |
| Prepaids | | **819** | | 1,312 |
| | | **458,036** | | 125,521 |
| Deferred acquisition costs (Note 3) | | **335,948** | | 126,017 |
| Mineral properties (Notes 4 and 7) | | **736,438** | | 373,944 |
| | $ | **1,530,422** | $ | 625,482 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities (Note 7) | | **291,029** | | 89,334 |
| Due to related parties (Note 7) | | **617,200** | | 121,313 |
| | | **908,229** | | 210,647 |
| **Shareholders' equity** | | | | |
| Share capital (Note 5) | | **11,625,903** | | 11,563,403 |
| Subscriptions received (Note 5) | | **422,000** | | — |
| Contributed surplus (Note 5) | | **58,414** | | 58,414 |
| Deficit | | **(11,484,124)** | | (11,206,982) |
| Total shareholders' equity | | **622,193** | | 414,835 |
| | $ | **1,530,422** | $ | 625,482 |

Nature of Operations and Ability to Continue as a Going Concern (Note 1)
Subsequent events (Note 12)

On behalf of the Board:

*"David Paul"*
David Paul
Director

*"Darren Townsend"*
Darren Townsend
Director

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

## PACIFIC WILDCAT RESOURCES CORP.

(An Exploration Stage Company)

Statements of Operations and Deficit

For Year Ended June 30

| | | 2009 | | 2008 |
|---|---|---|---|---|
| **General and Administrative** | | | | |
| Consulting fees | $ | **17,562** | $ | — |
| Corporate relations | | **36,818** | | 29,987 |
| Interest expense (income) | | **29,703** | | (2,147) |
| Filing fees | | **9,985** | | 10,918 |
| Foreign exchange loss | | **3,311** | | 4,101 |
| Management fees | | **4,688** | | 30,750 |
| Office | | **19,662** | | 25,429 |
| Professional fees (Note 7) | | **42,468** | | 63,530 |
| Research | | **7,573** | | — |
| Stock-based compensation | | **—** | | 18,354 |
| Transfer agent fees | | **15,663** | | 3,395 |
| Travel | | **17,170** | | 66,932 |
| | | **(204,603)** | | (251,249) |
| **Other Item** | | | | |
| Write-off of deferred acquisition costs (Note 3) | | **(72,539)** | | — |
| **Loss and comprehensive loss for the year** | | **(277,142)** | | (251,249) |
| **Deficit, beginning of year** | $ | **(11,206,982)** | $ | (10,955,733) |
| **Deficit, end of year** | $ | **(11,484,124)** | $ | (11,206,982) |
| **Loss per common share** | $ | **(0.02)** | $ | (0.01) |
| **Weighted average number of common shares outstanding** | | **18,191,903** | | 16,869,490 |

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

**PACIFIC WILDCAT RESOURCES CORP.**
(An Exploration Stage Company)
Statements of Cash Flows
For Year Ended June 30

| | | 2009 | | 2008 |
|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | |
| Loss for the year | $ | **(277,142)** | $ | (251,249) |
| **Items not affecting cash** | | | | |
| Stock based compensation expense | | **—** | | 18,354 |
| Write-off of deferred acquisition costs (Note 3) | | **72,539** | | — |
| Changes in non-cash working capital | | | | |
| Receivables | | **(780)** | | (2,978) |
| Prepaids | | **493** | | 278 |
| Accounts payable and accrued liabilities | | **29,550** | | 21,939 |
| **Net cash used in operating activities** | | **(175,340)** | | (213,656) |
| **Cash Flows From Investing Activities** | | | | |
| Deferred acquisition costs | | **(190,088)** | | (322,022) |
| Resource expenditures | | **(220,231)** | | — |
| **Net cash used in investing activities** | | **(410,319)** | | (322,022) |
| **Cash Flows From Financing Activities** | | | | |
| Issuance of shares | | **—** | | 499,800 |
| Due to related parties | | **495,887** | | — |
| Subscriptions received | | **422,000** | | — |
| **Net cash provided by financing activities** | | **917,887** | | 499,800 |
| Increase (decrease) in cash | | **332,228** | | (35,878) |
| Cash, beginning of year | | **120,493** | | 156,371 |
| **Cash, end of year** | $ | **452,721** | $ | 120,493 |
| **Supplemental disclosure of cash flow information:** | | | | |
| Cash paid for: | | | | |
| Interest | $ | **—** | $ | — |
| Income taxes | $ | **—** | $ | — |

Non-cash Transactions (Note 9)

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

## 1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Pacific Wildcat Resources Corp. (the "Company") is governed by the Business Corporations Act (British Columbia). Effective August 7, 2009, the Company was transferred from the NEX Board to the TSX Venture Exchange, Tier 2 and trades under the symbol PAW.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage. These financial statements have been prepared on the basis of generally accepted accounting principles as applicable to a going concern. Those principles contemplate the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As at June 30, 2009, the Company has no source of operating cash flow and has an accumulated deficit of $11,484,124. Operations historically have been funded primarily from the issuance of capital stock. The future viability of the Company will depend upon its ability to continue to obtain adequate financing and commence profitable business operations. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they come due.

The Company has not yet determined whether its mineral properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral properties in accordance with industry practice, the ability of the Company to obtain necessary financing to complete development of its mineral properties and upon future profitable production.

While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future (note 12). Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. Actual results may differ from these estimates.

The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized as follows:

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### Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Significant areas requiring the use of management estimates include financial instruments, the estimation of stock-based compensation, the determination of environmental obligations, impairment of mineral claims and deferred exploration expenditures, useful lives for amortization, and valuation allowances for future tax assets. Actual results could materially differ from those reported.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Mineral Properties

Costs related to interests in mineral properties, including related acquisition, exploration, development, field support and fixed asset costs are deferred on a project-by-project basis until the properties either achieve commercial production or are abandoned or until management has determined there to be an impairment. Mineral properties, which are sold before that property reaches the production stage, will have all revenues from the sale of the property credited against the cost of the property. Costs relating to properties, which are determined to be impaired or abandoned, are expensed at the time the determination is made. The amount deferred represents costs incurred to date and does not necessarily reflect present or future values. Costs incurred on properties not acquired, are expensed.

The Company is in the process of exploring its mineral properties and has not determined the amount of reserves available in its properties. Senior management annually reviews the carrying values of mineral properties and assesses whether there has been any impairment in value.

Although the Company has taken steps to verify title to mineral properties in which it has an interest according to industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Properties may be subject to undisclosed prior agreements or transfers and title may be affected by undetected defects.

### Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized and is measured as the excess of the carrying value of the asset over its fair value. Management believes there are no further impairment provisions required for the Company's long-lived assets as at June 30, 2009 and 2008.

### Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the year it is incurred with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At June 30, 2009 and 2008 there were no asset retirement obligations.

### Loss per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the year ended June 30, 2009 potentially dilutive common shares (relating to options and warrants outstanding at year-end) totaling 350,000 (2008: 350,000) were not included in the computation of loss per share because their effect was anti-dilutive.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Stock-based Compensation

The fair value of share purchase options granted to employees, directors and officers is expensed over their vesting period with a corresponding increase to contributed surplus. Compensation for non-employees is re-measured at each balance sheet date until the earlier of the vesting date or the date of completion of the service. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

### Deferred Acquisition Costs

Costs, such as legal, accounting, due diligence, sponsorship and filing fees directly related to potential business acquisitions and incremental in nature are deferred and applied towards the cost of the acquisition when completed. Such costs are expensed if the potential acquisition is no longer considered viable by management. During the year ended June 30, 2009 the Company wrote-off $72,539 and reclassified $5,000 to legal costs (2008 - $Nil) of deferred acquisition costs and charged this to the statement of operations.

### Comprehensive Income

Comprehensive income is composed of the Company's earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, all net of income taxes. Cumulative changes in other comprehensive loss will be included in accumulated other comprehensive loss which is presented as a category in shareholders' equity. During the years ended June 30, 2009 and 2008 the Company did not have any items to be reported as comprehensive income.

### Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recorded in net income. Available-for-sale financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed in the period in which they occur.

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities and amounts due to related parties are classified as other financial liabilities.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign Currency Translation

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars using the exchange rate in effect at that date. At the period end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred. The resulting foreign exchange gains and losses are included in operations in the current period.

### Comparative Figures

Certain financial statement items from the prior year have been reclassified to conform with current year's presentation

### Recently Adopted Accounting Pronouncements

On July 1, 2008, the Company adopted four accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation, General Standards of Financial Statement Presentation, Handbook Section 1400. The requirements of these new standards are for disclosure purposes only and have not impacted the financial results of the Company.

*i) Capital Disclosures*

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This disclosure is summarized in Note 11.

*ii) Financial Instruments*

The new Sections 3862 and 3863 replaced Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. This disclosure is summarized in Note 10.

*iii) General Standards of Financial Statement Presentation*

Effective July 1, 2008, the Company adopted Handbook Section 1400, "General standards of Financial Statement Presentation". This section provides guidance related to management's assessment of the Company's ability to continue as a going concern (Note 1). The additional requirement requires management to make an assessment of the Company's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

**2. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Recently Released Canadian Accounting Standards**

*i) Financial Statement Concepts*

CICA Handbook Section 1000 has been amended to focus on the capitalization of costs that meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of the adoption of this change on its financial statements.

*ii) Goodwill and Intangible Assets*

CICA Handbook Section 3064 replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning July 1, 2009. The Company is currently evaluating the impact of the adoption of this new Section on its financial statements.

*iii) International Financial Reporting Standards ("IFRS")*

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2010. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

*iv) Business Combinations*

In January 2009, the CICA issued Section 1582 – Business Combinations, which replaces Section 1581 – Business Combinations, and Section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests, which replace Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. As well acquisition costs are not part of the consideration and are to be expensed when incurred. These new sections are not expected to have a material impact on the Company's financial condition or operating results.

## 3. DEFERRED ACQUISITION COSTS

| | | TMP Acquisition |
|---|---|---|
| Balance June 30, 2007 | $ | — |
| Legal, professional and consulting costs | | 126,017 |
| **Balance June 30, 2008** | | **126,017** |
| Legal, professional and consulting costs | | 282,470 |
| Write-off of deferred acquisition costs | | (72,539) |
| **Balance June 30, 2009** | $ | **335,948** |

**Tantalum Mineracao e Prespeccao Limitada Acquisition - Mozambique**

In April 2008, the Company entered into a Letter of Intent ("LOI"), with Bolan Holdings Limited ("Bolan"), an arm's length private company incorporated in the Seychelles. The principal security holder of Bolan is Perine Assets Corporation ("Perine"), a British Virgin Isles incorporated company which holds 100% of the issued and outstanding securities of Bolan. Perine Assets Corporation is controlled by Berhard Weber of Singapore and Yunis Shaik of South Africa or his nominee has the option, exercisable at any time, to acquire all of the outstanding shares of Bolan from Perine. The Company will acquire from Bolan all of the issued capital of Tantalum Mineracao e Prospeccao Limitada ("TMP"), a Mozambican company that owns certain mining leases and related assets in Mozambique. In addition to the leases, TMP's assets include camp facilities, plant and equipment, and some preliminary site construction at Muiane as well as several vehicles.

After several extensions and amendments on January 15, 2009 the LOI was terminated and the Company entered into a new Letter of Intent with Bolan dated for reference January 15, 2009, and subsequently entered into a definitive agreement dated April 7, 2009 ("Definitive Agreement"). Under the terms of a Definitive Agreement entered into on April 7, 2009, the Company will acquire 100% of the issued capital in TMP from Bolan. Completion of the transaction will constitute a reverse takeover ("RTO").

Under the agreement and subject to certain conditions precedent, the consideration payable to Bolan to acquire TMP is as follows:

a) On closing, the issuance to Bolan (or such parties as assigned by Bolan) of 22,510,000 shares in the Company; and

b) Bolan (or such parties as assigned by Bolan) have the right to explore and mine Gemstones on the Property as defined by the Gemstone Right in the Definitive Agreement.

The condition precedents include the completion by the Company of a majority arms length underwritten financing on a private placement basis that will result in gross proceeds to the Company of a minimum of $1,500,000, the settlement of certain debts owing to creditors (Note 12), final confirmation of the mining licences being in good standing, approval of the Company's shareholders and regulatory acceptance. For the mining of Tantalum, a royalty of 3% of sales revenue will be payable to the Mozambican Government. The Company also agreed to pay all of TMP's operating costs associated with the maintenance of the mining licenses subject to a maximum of $12,000 USD per month.

On August 7, 2009 the Company completed the RTO – See Subsequent Events (Note 12).

## 4. MINERAL PROPERTIES

| | Twigg Licences | TMP Licences (Note 3) | Total |
|---|---|---|---|
| **Balance at June 30, 2007** | $ — | $ — | $ — |
| Geological fees | — | 77,665 | 77,665 |
| Holding and consulting costs (Note 7) | — | 251,935 | 251,935 |
| Site visits | — | 21,680 | 21,680 |
| Maps and miscellaneous | — | 22,664 | 22,664 |
| **Balance at June 30, 2008** | **—** | **373,944** | **373,944** |
| Geological fees | 18,028 | 6,890 | 24,918 |
| Holding and consulting costs (Note 7) | 2,757 | 323,291 | 326,048 |
| Site visits | 10,275 | — | 10,275 |
| Maps and miscellaneous | 1,252 | — | 1,252 |
| **Balance at June 30, 2009** | **$ 32,312** | **$ 704,126** | **$ 736,438** |

### Twigg License - Mozambique

In June 2008 the Company signed a heads of agreement with African Eagle Resources plc (“AFE”) covering the rights to a 145 square kilometre exploration license in northern Mozambique (the “Twigg Agreement”). This license area, which is currently held in the name of AFE’s wholly-owned subsidiary, Twigg Resources Ltd. (the “Twigg License”), is located immediately adjacent to Bolan Holdings (“Bolan”) tantalum mining and exploration licenses, which cover over 300 square kilometres (see Note 3).

The Twigg Agreement stipulates the Company will commit to spend US$200,000 on an initial work program to be completed over an 18 month period. Following completion of this work program (the “Initial Program”), the Company and AFE shall have the right but not the obligation to conduct further exploration programs within the Twigg License, either independently or jointly. To the extent that any such further exploration is conducted jointly, each party shall contribute 50% of the exploration expenditure.

At any time after completion of the Initial Program:

a) The Company may, by giving notice to AFE, identify any part of the Twigg License area as a Company target zone (an area in which tantalum, niobium, lithium and other associated minerals are the dominant value commodities) and thereafter the Company shall bear all expenditure in such target zone (including the costs of any bankable feasibility study) up to the commencement of any mine construction. The construction and operation of any mine of any Company target zone shall be carried out by a mining company in which the Company’s initial equity is 80% and AFE’s initial equity is 20%. The joint venture will be subject to a 1% net smelter royalty payable to AFE, and;

b) AFE may, by giving notice to the Company, identify any part of the Twigg License area as an AFE target zone and thereafter AFE shall bear all expenditure in such target zone (including the costs of any bankable feasibility study) up to the commencement of any mine construction. The construction and operation of any mine of any AFE target zone shall be carried out by a mining company in which AFE’s initial equity is 80% and the Company’s initial equity is 20%.

In the event that either party wishes to proceed with the construction of a mine which is wholly or partially within an area over which both parties have identified target zones, then both parties will negotiate in good faith the means by which the minerals contained in the common zone may be exploited on fair terms.

## 5. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value

Unlimited preferred shares “Class A” with a par value of $1.00
Unlimited preferred shares “Class B” without par value

b) Common Shares Issued:

| | Capital Stock | | | | Subscriptions Received | | Contributed Surplus |
|---|---|---|---|---|---|---|---|
| | Number of Shares | | Amount | | Amount | | Amount |
| Balance as at June 30, 2007 | 15,250,476 | $ | 11,063,603 | $ | — | $ | 40,060 |
| Private placement | 2,940,000 | | 499,800 | | — | | — |
| Stock-based compensation | — | | — | | — | | 18,354 |
| Balance as at June 30, 2008 | 18,190,476 | | 11,563,403 | | — | | 58,414 |
| Shares for debt settlement | 520,833 | | 62,500 | | — | | — |
| Subscriptions received | — | | — | | 422,000 | | — |
| **Balance as at June 30, 2009** | **18,711,309** | **$** | **11,625,903** | **$** | **422,000** | **$** | **58,414** |

During the year ended June 30, 2009, the Company entered into agreements with certain creditors, including directors and officers of the Company, to settle debts of $62,500 by the issuance of 520,833 common shares of the Company at $0.12 per share.

As at June 30, 2009 the Company had received $422,000 in subscriptions pursuant to a non-brokered private placement involving the issuance of 16,795,303 units at $0.12 per unit. See Subsequent Events (Note 12).

During the year ended June 30, 2008, the Company completed a non brokered private placement of 2,940,000 common shares at a price of $0.17 per share for total proceeds of $499,800.

## 6. STOCK OPTIONS AND WARRANTS

a) Stock Options Outstanding

On July 31, 2009, the Company re-adopted its stock option plan whereby directors are authorized to grant up to 10% of the outstanding common shares in stock options to directors, officers, consultants and employees to acquire common shares. The exercise price of the options is no less than the average price for the preceding ten trading days of issuance with each stock option having a maximum term of five years. The board of directors has the exclusive power over the granting of options and their vesting provisions.

As at June 30, 2009 and June 30, 2008, the Company had fully vested, outstanding stock options enabling the holders to acquire common shares as follows:

| **Number of Options** | | **Exercise Price** | **Expiry Date** |
|---|---|---|---|
| 350,000 | $ | 0.25 | August 29, 2011 |

## 6. STOCK OPTIONS AND WARRANTS (continued)

a) Stock Options Outstanding (continued)

During the years ended June 30, 2009 and 2008 there were no stock options granted. For the year ending June 30, 2008, the fair value of options vested of $18,354 was determined using the Black-Scholes option pricing model with the following weighted average assumptions: expected life of 5 years, 60.97% volatility, 0% dividend yield and 4.01% risk-free interest rate.

b) Warrants

As at June 30, 2009 and June 30, 2008 there were no outstanding warrants.

## 7. RELATED PARTY TRANSACTIONS

The Company has conducted transactions with officers, directors and persons or companies related to directors as follows:

a) Paid or accrued professional fees of $37,469 (2008 - $30,437) to a company controlled by an officer of the Company;

b) Incurred consulting expenses of $215,946 (2008 - $140,107) included in deferred mineral property costs from a company controlled by the president of the Company. The Company entered into a consulting agreement with the related company for a three year term commencing with the Company's re-listing on the TSX-V (Note 1) and agreed to pay $17,000 Australian dollars per month pursuant to the agreement.

c) Settled debt of $47,500 (2007 - $Nil) by the issuance of $395,833 shares at a price of $0.12 per share to companies controlled by officers of the Company (Note 5(b)).

Balances due to related parties as at June 30, 2009:

d) Accounts payable and accrued liabilities include consulting fees payable of $142,263 (2008 – $Nil) due to a company controlled by the president of the Company. The amounts due are non-interest bearing, due on demand and have no specific terms of repayment.

e) Due to related parties includes $617,200 (2008 – $Nil) for loans payable to companies controlled by common directors. The loans are unsecured, bear interest at 8% per annum and, except as noted, have no specified repayment terms.

   i) Loan payable of $150,000, repayable at the earlier of the closing date of the TMP acquisition or the date the Company completes an equity financing for gross proceeds of not less than $500,000

   ii) Loan payable of $250,000, of which $243,255 plus interest is repayable within 14 days of the closing date of the TMP acquisition, and the balance to be paid by the issue of common shares at a price of $0.12 per share (Note 12).

These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 8. INCOME TAXES

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

| | June 30, 2009 | June 30, 2008 |
|---|---|---|
| Loss before income taxes | $ (277,142) | $ (251,249) |
| Statutory income tax rates | 30.25% | 32.81% |
| Computed income tax recovery | $ (83,800) | $ (82,400) |
| Non-deductible stock-based compensation and debt forgiveness | 19,100 | 6,900 |
| Effect of reduction in statutory rate | 78,800 | - |
| Expiry of loss carryforward | 51,000 | 33,200 |
| Increase in valuation allowance | (65,100) | 42,300 |
| Total income taxes (recovery) | $ - | $ - |

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

| | | |
|---|---|---|
| Non-capital loss carry-forwards | $ 200,000 | $ 223,000 |
| Capital loss carry-forwards | 570,000 | 592,000 |
| Undeducted financing costs | 1,000 | 2,000 |
| Mineral Properties | 922,000 | 941,000 |
| | 1,693,000 | 1,758,000 |
| Less: valuation allowance | (1,693,000) | (1,758,000) |
| | $ - | $ - |

The Company has recorded a valuation allowance against its future income tax assets based on the extent that it is more likely-than-not that sufficient taxable income will not be realized during the carry-forward periods to utilize all the future tax assets. The Company has accumulated non-capital losses totaling $798,000 (2008 – $858,000) available to reduce future years' taxable income. These losses expire as follows:

| | Canada |
|---|---|
| 2010 | $ 115,000 |
| 2011 | 66,000 |
| 2015 | 94,000 |
| 2016 | 65,000 |
| 2027 | 81,000 |
| 2028 | 233,000 |
| 2029 | 144,000 |
| | $ 798,000 |

## 9. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the year ended June 30, 2009, the following transactions were excluded from the statements of cash flows:

The Company issued 520,833 common shares issued at a price of $0.12 to settle $62,500 of debt.

The Company incurred mineral property and deferred acquisition costs of $234,645 (2008 – $177,939) through accounts payable and accrued liabilities and due to related parties.

## 10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

### Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at June 30, 2009 the Company is not exposed to any significant credit risk.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the year in the financial statements is interest income on Canadian dollar cash. As at June 30, 2009, the Company's cash is subject to or exposed to interest rate risk. However, this risk is not significant given the Company's interest rates on amounts due to related parties are fixed.

### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities and amounts due to related parties are current. The Company addresses its liquidity through equity financing obtained via the issuance of common shares and the exercise of warrants and options.

### Currency Risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At June 30, 2009, approximately 49% (2008 – 29%) of the Company's accounts payable and accrued liabilities are payable in Australian dollars and 39% (2008 – 46%) in U.S. Dollars. Furthermore, 100% (2008 – 100%) of amounts due to related parties are payable in Australian dollars. The Company does not use derivative instruments or foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

## 11. CAPITAL DISCLOSURE

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition and exploration of mineral properties. The Company's primary objectives in managing capital are to:

- Safeguard the entity's ability to continue as a going concern
- Maintain an optimal capital base in order to support the capital requirements of its operations, including growth opportunities and maintaining investor confidence.

The capital of the Company consists of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements. The Company relies on capital markets to support continued growth.

## 12. SUBSEQUENT EVENTS

On August 7, 2009 the Company completed the acquisition of all of the issued and outstanding securities of TMP (see Note 3).

In conjunction with the completion of the acquisition, the Company issued 16,795,303 units at a price of $0.12 per unit for gross proceeds to the Company of $2,015,436 pursuant to a private placement. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant has a term of one year and entitles the holder to acquire one common share at a price of $0.15 per share.

S&A Capital Pty Ltd. will receive a fee of $150,000 in cash and 1,000,000 common share purchase warrants in connection with services rendered in respect of the financing. The warrants have the same terms as the private placement warrants. Wolverton Securities Ltd. will receive a fee of 60,417 units (having the same terms as the private placement units) in connection with services rendered in respect of the financing.

Also in conjunction with the completion of the acquisition, the Company issued 4,210,916 common shares at a price of $0.12 per share to settle $505,309 in debt. Of the amount settled subsequent to year end, $362,839 is included in due to related parties as at June, 30, 2009.

The securities issued under the financing and debt settlement will be subject to a four month hold period from the date of closing under applicable securities laws and the policies of TSX Venture Exchange.

Further to the closing of the acquisition as described the Company granted stock options to directors, officers and consultants to acquire 2,350,000 common shares at $0.12 exercisable up to August 7, 2014.

Subsequent to year end the Company re-paid $260,000 in principal and interest to a company controlled by a former director in lieu of a loan outstanding as at June 30, 2009.