

**E-ENERGY VENTURES INC.**

**Interim Consolidated Financial Statements**

**for the nine months ended**

**December 31, 2009**

**(Unaudited – see notice to reader)**

**Notice to Reader**

The accompanying unaudited interim consolidated financial statements of E-Energy Ventures Inc. for the nine months ended December 31, 2009 have been prepared by management. These statements have not been reviewed by the Company's external auditor.

**E-ENERGY VENTURES INC.**  
**Consolidated Balance Sheets**  
**(Unaudited – Prepared by Management)**

	December 31 2009	March 31 2009
<b>ASSET</b>		
<i>Current</i>		
Cash and cash equivalents	\$ 103,424	\$ 77,270
Short term investments – (Note 3)	1,003,842	1,815,876
GST receivable	1,565	3,426
Other receivables	125,000	68,243
Marketable securities – (Note 4)	<u>1,397,500</u>	<u>770,000</u>
	2,631,331	2,734,815
Equipment – (Note 5)	554	713
Mineral property and deferred exploration costs – (Note 6)	<u>4,979,952</u>	<u>4,857,430</u>
	<u>\$ 7,611,837</u>	<u>\$ 7,592,958</u>
<b>LIABILITIES</b>		
<i>Current</i>		
Accounts payable and accrued liabilities	<u>\$ 694</u>	<u>\$ 5,571</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock – (Note 8)	14,352,247	14,352,247
Contributed surplus – (Notes 8 and 9)	989,062	989,062
Deficit	<u>(7,730,166)</u>	<u>(7,753,922)</u>
	<u>7,611,143</u>	<u>7,587,387</u>
	<u>\$ 7,611,837</u>	<u>\$ 7,592,958</u>

*Approved by the Board:*

“Simon Tam”, Director

“David Rankin”, Director

*See accompanying notes to the consolidated financial statements*

**E-ENERGY VENTURES INC.**  
**Interim Consolidated Statements of Operations and Deficit**  
**(Unaudited Prepared by Management)**

	Three Months Ended December 31 2009	Three Months Ended December 31 2008	Nine Months Ended December 31 2009	Nine Months Ended December 31 2008
<b>General and Administrative Expense</b>				
Amortization	\$ 53	\$ 76	\$ 159	\$ 229
Consulting fees – (Note 7)	28,500	44,500	113,292	126,250
Filing fees	-	1,000	3,040	3,622
Interest	8	112	44	144
Investor relations	11,250	11,250	33,750	33,750
Office and miscellaneous	205	447	468	1,700
Professional fees	7,500	16,463	56,560	60,662
Rent – (Note 7)	4,500	4,500	13,500	12,500
Shareholder information	-	-	3,416	3,018
Stock based compensation – (Note 9)	-	-	-	-
Transfer agent fees	2,021	2,256	6,852	6,822
Travel and promotion	-	4,204	-	6,605
<b>Loss before other item</b>	<b>(54,037)</b>	<b>(84,808)</b>	<b>(231,081)</b>	<b>(255,302)</b>
<b>Other items</b>				
Royalty income	75,000	-	225,000	-
Interest income	11,044	95,002	27,337	185,319
Unrealized gain on investments	292,500	35,000	2,500	35,000
<b>Income (Loss) for the period</b>	<b>324,507</b>	<b>45,194</b>	<b>23,756</b>	<b>(34,983)</b>
<b>Deficit, beginning of period</b>	<b>(8,054,673)</b>	<b>(7,991,944)</b>	<b>(7,753,922)</b>	<b>(7,911,767)</b>
<b>Deficit, end of period</b>	<b>\$ (7,730,166)</b>	<b>\$ (7,946,750)</b>	<b>\$ (7,730,166)</b>	<b>\$ (7,946,750)</b>
<b>Basic and diluted income (loss)</b>				
<b>per common share</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>
<b>Weighted average number</b>				
<b>of common shares outstanding</b>	<b>61,471,330</b>	<b>61,471,330</b>	<b>61,471,330</b>	<b>61,417,362</b>

*See accompanying notes to the consolidated financial statements*

**E-ENERGY VENTURES INC.**  
**Interim Consolidated Statements of Cash Flows**  
**(Unaudited – Prepared by Management)**

	Three Months Ended December 31 2009	Three Months Ended December 31 2008	Nine Months Ended December 31 2009	Nine Months Ended December 31 2008
<b>Operating activities</b>				
Income (Loss) for the year	\$ 324,507	\$ (45,194)	\$ 23,756	\$ (34,983)
Items not affecting cash:				
Amortization	53	76	159	229
Unrealized gain on investments	(292,500)	-	(2,500)	-
Stock-based compensation	-	-	-	-
	<u>32,060</u>	<u>(45,270)</u>	<u>21,415</u>	<u>(34,754)</u>
Change in non-cash working capital items:				
Decrease (increase) in accrued interest	18,083	(150,000)	16,156	(150,000)
Decrease (increase) in receivables	27,022	1,869	(54,896)	(14,229)
(Decrease) increase in accounts payable and accrued liabilities	(12)	188,607	(4,877)	(88)
	<u>77,153</u>	<u>(291,468)</u>	<u>(22,202)</u>	<u>199,071</u>
<b>Investing activities</b>				
Marketable securities	-	(560,000)	(625,000)	(560,000)
Short term investments	(29,122)	1,135,056	795,878	1,456,530
Advances	-	25,000	-	25,000
Mineral property	(35,001)	(345,126)	(122,522)	(721,762)
	<u>(64,123)</u>	<u>254,930</u>	<u>48,356</u>	<u>(199,768)</u>
<b>Financing activities</b>				
Proceeds from issuance of shares	-	-	-	52,286
Issuance costs	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,286</u>
<b>Increase (decrease) in cash during the period</b>	<b>13,030</b>	<b>(36,538)</b>	<b>26,154</b>	<b>52,983</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>90,394</b>	<b>102,340</b>	<b>77,270</b>	<b>12,819</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 103,424</b>	<b>\$ 65,802</b>	<b>\$ 103,424</b>	<b>\$ 65,802</b>

**Supplemental disclosure with respect to cash flows – (Note 11)**

*See accompanying notes to the consolidated financial statements*

## **1. Nature of Operations**

The Company was incorporated under the laws of the Province of British Columbia and is in the business of exploration and development of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

The company is in the process of exploring and developing its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

## **2. Significant Accounting Policies**

### *Basis of Consolidation*

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiary, E-Energy Ventures International (Barbados) Corp., which in turn owns 100% of E-Energy Ventures Holdings (Barbados) Corp., which in turn owns 10% in Mina Real Mexico S.A. de C.V. (a Mexican company). All inter-company transactions and balances are eliminated upon consolidation.

### *Use of Estimates*

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates are based on historical experience and on other assumptions that are believed at the time to be reasonable under the circumstances. The actual results may differ from those previously estimated.

Key areas where management has made complex or subjective judgments include: fair value of certain assets; accounting for amortization; mineral asset impairment assessments; environmental obligations; stock-based compensation; income taxes and contingencies.

### *Mineral Property and Deferred Exploration Costs*

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operation. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

## **2. Significant Accounting Policies - cont'd**

### *Cost of Maintaining Mineral Properties*

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

### *Equipment*

Equipment consists of computer equipment. The computer equipment is recorded at cost and amortized at an annual rate of 30% using the declining balance method.

### *Asset Retirement Obligations*

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The adoption of this accounting policy has not affected the Company's consolidated financial statements.

### *Risk Management*

The Company is currently engaged in mineral exploration and development and is accordingly exposed to environmental risks associated with exploration activity.

The fair values of the Company's cash and cash equivalents, short term investments, marketable securities, accounts payables and accrued liabilities, approximate their carrying values.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and commodity price risk.

#### (i) Currency risk

The Company is exposed to foreign currency risk relating to its 10% investment in a Mexican company.

#### (ii) Credit risk

The Company's cash and short term investment are held in a Canadian financial institution. The Company does not have any asset-backed commercial paper in its cash and short term investment.

#### (iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

## **2. Significant Accounting Policies - cont'd**

### (iv) 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. The risk that the Company will realize a loss as a result of a decline in the fair value of cash and short term investment is limited because they are generally held to maturity

### (v) Commodity price risk

The ability of the Company to develop projects in resources properties and the future profitability of the Company are directly related to the market price of precious metal. The Company closely monitors precious metal and fuel prices to determine the appropriate course of action to be taken by the Company.

### *Short term investment*

The Company designated its short term investment as held-for-trading financial instruments. The investment consists of one redeemable GIC valued at \$1,003,842 at an annual interest rate of 0.3% to be maturing on October 7, 2010. As at December 31, 2009, after interest revenue accrual, its carrying cost approximate its fair market value and no adjustment is necessary.

### *Cash Equivalents*

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a term to maturity of three months or less at acquisition, that are readily convertible to specified amounts of cash.

### *Stock-Based Compensation*

Effective April 1, 2003, the Company adopted the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock.

### *Earnings (Loss) Per Share*

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Basic earnings (loss) per share is calculated using the weighted-average number of common shares outstanding during the year. The Company has potentially dilutive options and warrants outstanding.

## **2. Significant Accounting Policies - cont'd**

### *Financial instruments*

On October 1, 2006, the Company adopted CICA Handbook Sections 1530, "Comprehensive Income", Section 3251 "Equity", Section 3855, "Financial Instruments - Recognition and Measurement", Section 3861, "Financial instruments - Disclosure and Presentation" and Section 3865, "Hedges." Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item. Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Company designated its cash and cash equivalents as held-for trading, which are measured at fair value. Accounts payable and accrued liabilities, are classified as other financial liabilities, which are measured at amortized cost.

The adoption of these Handbook Sections had no impact on opening deficit. Company had no "other comprehensive income or loss" transactions during the year ended March 31, 2009, and no opening or closing balances for accumulated other comprehensive income or loss. As a result, these consolidated financial statements do not include a statement of Accumulated Other Comprehensive Income.

### *Accounting policy choice for transaction costs*

On June 1, 2007, the Emerging issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar.

## **2. Significant Accounting Policies - cont'd**

### *Accounting policy choice for transaction costs (cont'd)*

The Company has adopted EIC-166 effective December 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are required.

### *Adoption of new accounting policies*

Capital Disclosures and Financial Instruments - Disclosures and Presentation On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on October 1, 2007.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The additional disclosures are presented in Note 13.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks (See Risk Management Policy note).

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This Section is effective in the first quarter of 2009, and the new standard does not have a material impact on the Company's financial statements.

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**Notes to the Interim Consolidated Financial Statements**  
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*New Accounting Pronouncements Not Yet Adopted*

- a) In January 2009, the CICA issued Handbook Section 1582 - Business Combinations, 1601 - Consolidated Financial Statements and 1602 - Non-controlling Interests which replace CICA Handbook Section 1581 - Business Combinations and 1600 - Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt anyone of these Sections, the other two sections must also be adopted at the same time.
- b) In 2006, the Accounting Standards Board ("AcSB") announced that the accounting standards in Canada are to be converged with IFRS. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required by January 1, 2011 with appropriate comparative data from the prior year. Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that must be addressed. The impact of these new standards on the Company's financial statements is currently being evaluated by management.

*Royalty income*

Royalty income is recognized when earned.

*Future Income Taxes*

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against that excess.

**3. Short-term Investments**

	December 31, 2009	March 31, 2009
Short-term investments		
Guaranteed Investment Certificates (GIC)	\$ 1,003,842	\$ 1,815,876

GIC's have maturities in excess of 90 days to a term of 1 year with an interest rate of 0.3%.

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**4. Marketable Securities**

	December 31, 2009		March 31, 2009	
	Fair value	Cost	Fair Value	Cost
Marketable securities - held for trading	\$ 1,397,500	\$ 1,150,000	\$ 770,000	\$ 525,000

**5. Equipment**

	Cost	Amortization	December 31, 2009	March 31, 2009
			Net	Net
Computer equipment	\$ 2,682	\$ 2,128	\$ 554	\$ 713

In the year of acquisition, amortization is taken at half the normal rates.

The carrying value of equipment is reviewed whenever events or changes in circumstance indicate the recoverable value may be less than the carrying amount. Recoverable value is based on management's estimates of undiscounted future net cash flows expected to be recovered from specific asset or groups of assets through use or future disposition. Where impairment is indicated, impairment charges are recorded in the reporting period in which impairment is determined by management.

**6. Mineral Property and Deferred Exploration Costs**

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

*Stormy Mountain Molybdenum Property, Yukon Territories*

Pursuant to a Purchase Agreement dated February 21, 2006, the Company acquired a 100% interest in certain mining claim units located in the Watson Lake Mining District of the Yukon Territories, referred to as the Stormy Mountain Molybdenum Property (the "Property"). The Property is subject to a 2% Net Smelter Royalty ("NSR") with the Company having the right to purchase 1% of the NSR for \$1,000,000 from the vendors. In consideration, the Company paid \$75,000 in cash and issued 2,000,000 common shares. The Company paid a finder's fee of 293,750 common shares in connection with the acquisition of the property.

**6. Mineral Property and Deferred Exploration Costs – cont'd**

*Rivard Gold Property, Ontario*

Pursuant to an Assignment Agreement dated August 8, 2006, the Company acquired an option to earn a 100% interest in the Rivard gold property mineral lease at the west end of the Red Lake gold mining camp in northwest Ontario. To exercise such option, the Company is required to make cash payment of \$500,000 over 4 years and to issue 2,500,000 common shares. The property is subject to a 3% net smelter return royalty. The Company paid \$70,000 as a first stage payment and issued 2,500,000 common shares. During the period, the Company made further option payment by paying \$70,002 in cash.

*Uchi Lake Gold Property, Ontario*

Pursuant to an Option Agreement dated November 15, 2006, the Company acquired an option to earn a 100% interest in the Uchi Lake gold property, located east of Red Lake, Ontario. To exercise such option, the Company is required to make cash payment of \$200,000 over 30 months, issue 2,000,000 common shares and incur \$500,000 in exploration expenditures over a three-year period. The property is subject to a 2% net smelter return royalty which the Company can buy down to a 1% NSR at a cost of \$1,000,000. As at December 31, 2009, the Company had made its required payments totaling \$200,000 and issued 2,000,000 common shares.

*Mina Real and Santa Fe Properties, Mexico*

Pursuant to an Agreement dated November 20, 2008 and an Amendment Agreement dated January 16, 2009, the Company entered into a Joint Venture Agreement with Rochester Resources Ltd. ("Rochester") and paid \$1,475,000 cash and acquired 3,500,000 common shares of Rochester at a fair value of \$0.15 per share to acquire an undivided 10% equity interest in the capital stock of Mina Real Mexico S.A. de C.V. ("Mina Real"), a private company incorporated in Mexico which is wholly owned by Rochester. Mina Real currently holds certain mining concessions and claims covering 20,662.42 hectares (the "Mina Real Property") located in Tepic, Mexico. In addition, Mina Real holds a 70% equity interest in Compania Minera Santa Fe S.A. de C. V. ("Santa Fe") which holds certain mining concessions and claims (the "Santa Fe Property") located in Tepic, Mexico.

Pursuant to the Joint Venture Agreement, the Company is entitled to a gross overriding advance royalty payment of \$25,000 per month, free and clear of any and all cost or expense of every kind and nature; whatsoever, incurred in connection with the operation of the Mina Real Property. The gross overriding advance royalty payment may be credited against the Company's 10% share of the net profit of the Mina Real Property and Santa Fe Property. However, the payment is not dependent on the profitability of the properties and shall be payable even if the properties do not generate any profit. Under the Joint Venture Agreement, Rochester has an option to re-acquire the 10% interest in Mina Real from the Company (the "Back-In Option"). The Back-In Option has a term of three years commencing on December 22, 2008 and may be exercised by Rochester as follows:

- (i) If exercised during the second year of the term, by payment of \$2,075,000 cash to the Company; and,
- (ii) If exercised during the third year of the term, by payment of \$2,000,000 in cash to the Company.

The Back-In Option shall not be exercised during the first year of the term.

The Company and Rochester are related by way of sharing certain common directors.

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**6. Mineral Property and Deferred Exploration Costs – cont'd**

	Stormy Mountain	Rivard Gold Property	Uchi Lake Gold Property	Mina Real and Santa Fe	Total
<b>Balance, March 31, 2009</b>	<u>\$ 299,577</u>	<u>\$ 2,513,878</u>	<u>\$ 543,331</u>	<u>\$1,500,644</u>	<u>\$ 4,857,430</u>
<b>Acquisition costs</b>					
Cash payments	-	70,002	50,000	-	120,002
Shares to Vendors	-	-	-	-	-
Finder's fee	-	-	-	-	-
	<u>-</u>	<u>70,002</u>	<u>50,000</u>	<u>-</u>	<u>120,002</u>
<b>Deferred exploration costs</b>					
Assays camp and general	2,520	-	-	-	2,520
Drilling	-	-	-	-	-
Geological Consulting	-	-	-	-	-
	<u>2,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,520</u>
<b>Balance, December 31, 2009</b>	<u><b>\$ 302,097</b></u>	<u><b>\$ 2,583,880</b></u>	<u><b>\$ 593,331</b></u>	<u><b>1,500,644</b></u>	<u><b>\$ 4,979,952</b></u>

**7. Related Party Transactions**

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$45,000 (2008 - \$45,000) for consulting fees to a company controlled by a director of the Company.
- b) Paid or accrued to a management company related to a director of the Company the following:

	<u>2009</u>	<u>2008</u>
Accounting	\$ 22,500	\$ 22,500
Rent	13,500	12,500
Administration fees	<u>-</u>	<u>-</u>
	<u><u>\$ 36,000</u></u>	<u><u>\$ 35,000</u></u>

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and in certain cases, by signed agreements. These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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**8. Capital Stock and Contributed Surplus**

	Number of Shares	Amount	Contributed Surplus
Balance, March 31, 2008	61,035,616	\$ 14,352,247	\$ 989,062
Exercise of warrants (i)	435,714	52,286	
Balance, March 31, 2009	61,471,330	\$ 14,352,247	\$ 989,062
Balance, December 31, 2009	61,471,330	\$ 14,352,247	\$ 989,062

(i) During the year ended March 31, 2009, 435,714 share purchase warrants were exercised at \$0.12 per share.

(ii) During the nine months ended December 31, 2009, no shares were issued.

*Stock Options*

The Company has a stock option plan whereby it is authorized to grant options to directors and employees to acquire up to 10% of issued and outstanding common stock. Under the policy, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

	Number of Shares	Weighted Average Exercise Price \$	Weighted Average Life Remaining in years
Balance, March 31, 2009	3,750,000	0.25	2.6
Expired	(950,000)	0.22	-
Balance, December 31, 2009	2,800,000	0.27	2.3

The following stock options were outstanding at December 31, 2009:

Number	Price	Expiring
750,000	0.14	May 20/2010
400,000	0.25	Mar 21/2012
1,500,000	0.33	Apr 17/2012
50,000	0.50	May 23/2010
100,000	0.25	Sep 12/2012
<u>2,800,000</u>		

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**8. Capital Stock and Contributed Surplus – cont'd**

*Share Purchase Warrants*

	Number of Shares	Weighted Average Exercise Price \$	Weighted Average Life Remaining in years
Balance, March 31, 2009	7,250,000	0.30	1.1
Expired	(7,250,000)	0.30	-
Balance, December 31, 2009	0	-	-

There were no warrants outstanding as at December 31, 2009.

**9. Contributed Surplus and Stock Based Compensation**

*Stock Options Granted*

During the year ended March 31, 2009, no options were granted.

During the nine months ended December 31, 2009, no stock options were granted or exercised.

The Company used the Black-Scholes option pricing model to determined the fair value of the options with the following assumptions:

	2009	2008
- weighted average risk free interest rate	n/a	n/a
- dividend yield of	n/a	n/a
- weighted average expected volatility	n/a	n/a
- weighted average expected life	n/a	n/a
- weighted average fair value granted	n/a	n/a

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

**10. Segmented Information**

The Company operates in a single segment. Assets by geographic locations are as follows:

	December 31 2009	March 31 2009
Canada	\$ 6,093,401	\$ 6,092,314
Mexico	1,518,436	1,500,644
Total	<u>\$ 7,611,837</u>	<u>\$ 7,592,958</u>

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**11. Supplemental Disclosure with Respect to Cash Flows**

	December 31, 2009	December 31, 2008
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

The significant non-cash transaction for the period:

	December 31, 2009	December 31, 2008
Share issued for mineral properties	\$ -	\$ -
Fair value of stock options exercised	\$ -	\$ -

**12. Commitments**

The Company has certain commitments described under Note 6 relating to its mineral properties.

**13. Capital Risk Management**

The Company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern; to maintain optimal capital structure, while ensuring the Company's strategic objectives are met and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, stock options, contributed surplus and deficit.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity, selling and/or acquiring assets, and controlling its capital expenditures program.

The Company is in business of exploring and developing mineral properties. As such, the Company is dependent on external financing to fund its activities. In order to pay for its operating expenses, the Company will spend its existing working capital and raise additional amounts as needed and if available.

Management reviews its capital management approach on an ongoing basis.