Financial Statements

Plato Gold Corp.

For the Years Ended December 31, 2009 and 2008

INDEX

PLATO GOLD CORP

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and other financial information for this annual report were prepared by the management of Plato Gold Corp., reviewed by the Audit Committee of the Board of Directors, and approved by the Board of Directors.

Management is responsible for the preparation of the financial statements and believes that they fairly represent the Company's financial position and the results of operations in accordance with Canadian generally accepted accounting principles. Management has included amounts in the Company's financial statements based on estimates, judgements, and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Company's books and records.

"Anthony J. Cohen"
President and CEO

"Greg K. W. Wong"
CFO

Toronto, Ontario
April 20, 2010

Collins Barrow
Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of
Plato Gold Corp.

We have audited the balance sheets of **Plato Gold Corp.** As at **December 31, 2009** and 2008 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at **December 31, 2009** and 2008 and the results of its operations and cash flows or the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
February 16, 2010
Toronto, Ontario

Plato Gold Corp.

Balance Sheets as at December 31

	2009	2008
Assets		
Current Assets		
Cash	$ 82,015	$ 52,967
Other receivables	104,263	403,023
Deposits and prepaid expenses	10,000	4,775
	196,278	460,765
Mineral Properties and Deferred Exploration Costs (note 5)	4,698,755	3,645,980
Property, Plant and Equipment (note 6)	1,552	2,217
	$ 4,896,585	$ 4,108,962
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 529,665	$ 311,842
Note payable (note 7)	-	121,565
Due to related parties (note 8)	85,000	-
	614,665	433,407
Future Tax Liability (note 13)	157,440	93,943
	772,105	527,350
Shareholders' Equity		
Share Capital (note 9)	4,731,411	4,291,691
Warrants (note 10)	518,080	523,929
Stock Options (note 11)	712,094	542,927
Contributed Surplus (note 12)	881,267	381,211
Deficit	(2,718,372)	(2,158,146)
	4,124,480	3,581,612
	$ 4,896,585	$ 4,108,962

The accompanying notes form an integral part of these financial statements.
Approved on behalf of the Board

"Anthony J. Cohen", Director "Robert Van Tassell", Director

Plato Gold Corp.

Statements of Operations and Deficit
For the Years Ended December 31

	2009	2008
Revenue		
Interest income	$ 244	$ 8,040
Expenses		
Amortization	665	950
Accretion and other charges	17,435	-
Consulting fees	119,973	114,775
Insurance	10,935	12,584
Interest and financing costs	2,722	36,111
Investor relations	11,861	49,589
Office and general	13,176	9,441
Professional fees	154,556	144,827
Publicity and advertising	4,819	10,870
Rent	24,000	24,000
Salaries and benefits	156,551	155,864
Stock-based compensation (note 11)	159,091	66,010
Transfer and filing fees	32,467	35,245
	708,251	660,266
Loss Before Income Taxes	(708,007)	(652,226)
Future Income Tax Recoveries	147,781	375,662
Net loss for the Year	(560,226)	(276,564)
Deficit - Beginning of Year	(2,158,146)	(1,881,582)
Deficit - End of Year	$ (2,718,372)	$ (2,158,146)
Loss per Share - basic and diluted	$ (0.01)	$ -
Weighted Average Number of Common Shares Outstanding - basic and diluted	73,707,576	55,947,918

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

Plato Gold Corp.

Cash Flow Statements
For the Years Ended December 31

	2009	2008
Cash Flows from Operating Activities		
Net loss	$ (560,226)	$ (276,564)
Items not involving cash		
Amortization	665	950
Accretion and other charges	17,435	-
Stock-based compensation	159,091	66,010
Future income tax recoveries	(147,781)	(375,662)
	(530,816)	(585,266)
Changes in non-cash working capital		
Other receivables	(24,666)	(178)
Deposits and prepaid expenses	(5,225)	(4,775)
Accounts payable and accrued liabilities	455,965	64,566
	(104,742)	(525,653)
Cash Flows from Financing Activities		
Proceeds from private placements	1,232,900	779,050
Share issuance costs	(122,619)	(71,025)
Due to related parties	85,000	-
Proceeds (repayment) of note payable	(139,000)	125,000
Financing costs	-	(3,435)
	1,056,281	829,590
Cash Flows from Investing Activities		
Mineral properties and deferred explorations costs - net	(1,318,601)	(1,213,125)
Quebec Government exploration rebate	396,110	171,431
	(922,491)	(1,041,694)
Change in cash	29,048	(737,757)
Cash - beginning of year	52,967	790,724
Cash - end of year	$ 82,015	$ 52,967
Non-cash financing and investing activities		
Stock options granted to agent	$ 92,513	$ 8,085
Stock options granted to directors, officers and employees	$ 159,091	$ -
Shares issued for acquisition of mineral properties	$ 45,000	$ 15,000

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

1. Nature of Operations

Plato Gold Corp. (the "Company") is an Ontario corporation formed by amalgamation on May 30, 2005.

The Company is a public gold exploration company with three projects. The first project is the Timmins Gold Project in Northern Ontario which includes five properties (Guibord, Harker, Harker-Garrison, Holloway and Marriott) in what is sometimes referred to as the Harker/Holloway gold camp located east of Timmins. The second project, the Val d'Or Project in Northern Quebec, includes seven properties (Nordeau Bateman, Vauquelin, Pershing Denain, Vauquelin Pershing, Vauquelin Horseshoe, Hop O'My Thumb and Once Upon a Time). The third project, the Lolita Project in Santa Cruz, Argentina, includes three adjoining concessions in Southern Argentina where active exploration activities are underway by other international exploration companies.

The Company is in the process of exploring its mineral properties and has not yet determined whether its properties in Ontario and Argentina contain economic mineral reserves. Consequently, at December 31, 2009 the Company considers itself to be an exploration stage company with respect to these properties. The Company considers the Val d'Or Project to be in the advanced exploration stage with a 43-101 compliant resource.
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2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and reflect the following significant accounting policies:

a) Basis of Presentation - Going Concern

These financial statements have been prepared on a going concern basis in accordance with GAAP. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of $2,718,372 as at December 31, 2009 (2008 - $2,158,146). The Company's continued existence is dependent upon its ability to raise additional capital and develop profitable operations. Management believes that it has the ability to raise the required additional funding. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities. As at December 31, 2009, the Company had current assets of $196,278 to cover current liabilities of $614,665.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments may be necessary in the carrying value of assets and liabilities and the balance sheet classifications used. These adjustments may be material.

2. Significant Accounting Policies (continued)

b) Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of operations during the reporting period. Significant estimates and assumptions include those related to the recoverability of resource properties, valuation of options and warrants and the ability to continue as a going concern. While management believes that the estimates and assumptions are reasonable, actual results could differ from those estimates.

c) Mineral properties and deferred exploration costs

The Company records its interests in mineral properties and deferred exploration expenditures at cost. Acquisition costs of resource properties together with direct exploration and development expenditures thereon are deferred in the accounts. When production is attained, these costs will be amortized on a units-of-production basis. If the properties are abandoned, sold or considered to be impaired in value, the costs of the properties and related deferred expenses will be written down at that time. When deferred expenditures on individual producing properties exceed the estimated net realizable value of undiscounted proven reserves, the properties are written down to the estimated fair value.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Senior management regularly reviews the carrying amount of mineral properties and deferred exploration and development costs to assess whether there has been any impairment in value.

d) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the declining-balance method at the following rates per annum:

Computer equipment	30%
Furniture and fixtures	30%

Additions during the year are amortized using the half year rule.

e) Flow-through Financing

The Company has financed a portion of its exploration activities through the issuance of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investors. Proceeds received on the issuance of such shares have been credited to capital stock. Related exploration expenditures have been charged to mineral properties and deferred exploration costs. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation reduce share capital.

2. Summary of Significant Accounting Policies (continued)

f) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax value, using the substantively enacted tax rates expected to apply when these temporary differences are reversed. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

g) Stock-Based Compensation

The Company has one stock option plan that is described in note 11.

The Company uses the fair value method to account for stock options granted. Under the fair value method, the Company recognizes estimated compensation expense related to stock options over the vesting period of the options granted, with the related credit being allocated to stock options under shareholders' equity. Upon exercise of these stock options, amounts previously credited to stock options under shareholders' equity are reversed and credited to share capital.

h) Other Stock-Based Payments

The Company accounts for other stock-based payments based on the fair value of services granted or the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions as at the measurement date, whichever is the more reliably measurable.

i) Foreign Currency Translation

The Company translates monetary assets and liabilities at the rate of exchange in effect at the balance sheet date and non monetary assets and liabilities at historical exchange rates. Income and expenses are translated at average rates in the month they occur. Gains and losses on translation are recorded in loss from operations.

j) Asset Retirement Obligations

The Company is subject to the provisions of the Canadian Institute of Chartered Accounants ("CICA") Handbook Section 3110, Asset Retirement Obligations, which require the estimated fair value of any asset retirement obligations to be recognized as a liability in the period in which the related environmental disturbance occurs and the present value of the associated future costs can be reasonably estimated. As at December 31, 2009 and 2008 the company has not incurred and is not committed to any asset retirement obligations in respect of its mineral exploration properties.

2. Summary of Significant Accounting Policies (continued)

k) Impairment of Long-Lived Assets

The Company periodically evaluates the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows resulting for the use of an asset and its eventual disposition is less than it carrying amount.

l) Loss Per Share

Loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants. As the Company had a loss in each of the two years presented, basic and diluted loss per share are the same, as the exercise of all options and warrants would be anti-dilutive.

m) Related Party Transactions

All transactions with related parties are in the normal course of business and are measured at the exchange amount.

n) Financial Instruments

All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in the statement of operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses, included in the statement of comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

Cash	Held for trading
Accounts payable and accrued liabilities	Other liabilities
Note payable	Other liabilities
Due to related parties	Other liabilities

Transaction costs are expensed as incurred for financial instruments classified as held for trading. For other financial instruments, transaction costs are capitalized on initial recognition.

2. Summary of Significant Accounting Policies (continued)

o) Comprehensive Income

The Company had no other comprehensive income or loss transactions during the years ending December 31, 2009 and 2008. Accordingly, a statement of comprehensive income has not been prepared.

3. New Accounting Policies

a) Amendments to CICA Section 3862 (Financial Instruments - Disclosure)

In 2009, the CICA issued an amendment to Handbook Section 3862 to provide improvements to fair value and liquidity note disclosures. The amendment applies to the Company's fiscal year ending December 31, 2009. This adoption resulted in additional disclosure as provided below.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash as at December 31, 2009. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

b) Goodwill and Intangible Assets

The CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450, "Research and Development Costs". The standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The adoption of this new standard had no material effecet on the Company's financial statements.

4. Future Accounting Changes

International Financial Reporting Standards ("IFRS")

The CICA plans to converge Canadian Generally accepted Accounting Principles with IFRS which will be applicable to publicly accountable enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its financial statements.

5. Mineral Properties and Deferred Exploration Costs

	December 31, 2009			
	Timmins Gold Project	Val d'Or Project	Lolita Project	Total
Acquisition Costs	$ -	$ 170,000	$ -	$ 170,000
Diamond Drilling	244,768	404,900	-	649,668
Geochemical	10,128	23,243	7,265	40,636
Geology	58,033	212,986	20,386	291,405
Other	3,111	20,337	-	23,448
Current expenditures	316,040	831,466	27,651	1,175,157
Less Quebec Government exploration rebate	-	(122,382) (1)	-	(122,382)
Net current expenditures	316,040	709,084	27,651	1,052,775
Balance - beginning of year	1,475,161	2,122,370	48,449	3,645,980
Balance - end of year	$ 1,791,201	$ 2,831,454	$ 76,100	$ 4,698,755

(1) Rebate includes an amount receivable of $72,684.

5. Mineral Properties and Deferred Exploration Costs (continued)

	December 31, 2008			
	Timmins Gold Project	**Val d'Or Project**	**Lolita Project**	**Total**
Acquisition Costs	$ 855	$ 192,950	$ 3,063	$ 196,868
Diamond Drilling	6,455	884,123	-	890,578
Geochemical	-	59,375	-	59,375
Geology	-	152,305	-	152,305
Other	8,904	35,938	-	44,842
Current expenditures	16,214	1,324,691	3,063	1,343,968
Less Quebec Government exploration rebate	-	(567,541) [1]	-	(567,541)
Net current expenditures	16,214	757,150	3,063	776,427
Balance - beginning of year	1,458,947	1,365,220	45,386	2,869,553
Balance - end of year	$ 1,475,161	$ 2,122,370	$ 48,449	$ 3,645,980

[1] Rebate includes an amount receivable of $396,110.

a) Timmins Gold Project

The Timmins Gold Project is comprised of five properties along the Destor-Porcupine Fault Zone located east of Timmins. The properties are comprised of 4 leases and 117 claims for a total of 2,416 hectares in the region. Four properties are subject to a 2% net smelter royalty to a former director of the Company. The other property is subject to a 2% net metal royalty to the former owner.

b) Val d’Or Project

The Val d'Or Project is comprised of seven properties located south east of Val d'Or, Quebec. The properties consist of 253 claims for a total of 4,390 hectares. Two properties with 82 claims are subject to a 2% net metal royalty. Another two properties with 21 claims are subject to a 2% net smelter royalty.

5. Mineral Properties and Deferred Exploration Costs (continued)

b) Val d'Or Project (continued)

i) Globex Option

On August 8, 2006, the Company entered into an option agreement with Globex Mining Enterprises Inc. ("Globex") to acquire a 100% interest in mineral claims known as the Nordeau East and Nordeau West Property in Vauquelin Township, Quebec, and a 60% interest in certain contiguous mineral claims known as the Bateman Claims in Vauquelin Township, Quebec ("Nordeau Bateman Properties").

As part of the original agreement, in order to acquire the interests in the Nordeau Bateman Properties, the Company agreed to pay Globex cash payments totalling $500,000 by December 31, 2007, of which $100,000 was paid on the effective date in 2006, $100,000 due by December 31, 2006 and $300,000 due by December 31, 2007. As well, the Company issued 1,000,000 common shares to Globex at a deemed price of $0.16 per share on the effective date in 2006. Furthermore, the Company must incur exploration expenditures of $6,000,000 by December 31, 2008, of which $1,000,000 is due by December 31, 2006, $2,000,000 due by December 31, 2007 amd $3,000,000 due by December 31, 2008. A bankable feasibility study is to be completed by December 31, 2009. Globex would retain a 2% net metal royalty on all mineral productions as well as a 10% Net Profit Interest after the Company has first recouped out of the Net Profits from operations $5,000,000 of all monies expended for preproduction costs and/or operating costs.

On December 12, 2006, the Company amended the agreement so that the exploration expenditures of $1,000,000 due December 31, 2006 is due March 31, 2007.

On November 2, 2007, the Company amended the agreement so that a cash payment of $300,000 due December 31, 2007 is staged with $25,000 due December 31, 2007, $25,000 due March 31, 2008 and $250,000 due June 30, 2008. As well, exploration expenditures of $2,000,000 due December 31, 2007 is staged with $300,000 due March 31, 2008 and $1,700,000 due December 31, 2008.

On April 22, 2008, the Company amended the agreement so that the cash payment of $250,000 due June 30, 2008 is staged with $125,000 due December 31, 2008 and $125,000 due December 31, 2009. In addition, further cash payments of $75,000 will be due by December 31, 2010 and $100,000 by December 31, 2011. As well, the remaining exploration expenditures of $1,700,000 due December 31, 2008, as per the November 2, 2007 amendment, has now been changed to $700,000 due by December 31, 2008, $1,000,000 due by December 31, 2009, $1,500,000 due by December 31, 2010 and $1,500,000 due by December 31, 2011. As further compensation, the Company agreed to issue an additional 500,000 shares by December 31, 2008, 500,000 shares by December 31, 2009, 500,000 shares by December 31, 2010 and 500,000 shares by December 31, 2011. The bankable feasibility study has been extended to December 31, 2012.

On January 28, 2009, Globex transferred a 2% interest in the 44 claims of the Nordeau Bateman Properties to the Company.

5. Mineral Properties and Deferred Exploration Costs (continued)

b) Val d'Or Project (continued)

i) Globex Option (continued)

As of December 31, 2009, the Company has made cash payments totalling $500,000, with the remaining $75,000 due by December 31, 2010 and $100,000 by December 31, 2011, for a total cash payment of $675,000.

As of December 31, 2009, the Company has incurred exploration expenditures, in accordance with the terms of the agreement, of $3,194,948, with the remaining $1,500,000 due December 31, 2010 and $1,500,000 due December 31, 2011, for total exploration expenditures of $6,000,000.

As of December 31, 2009, the Company has issued 2,000,000 shares to Globex, with 500,000 due by December 31, 2010 and 500,000 shares due by December 31, 2011, for a total of 3,000,000 common shares. The bankable feasibility study is due by December 31, 2012.

ii) Manseau Option

On January 31, 2008, the Company entered into an option agreement to acquire a 100% interest in 19 claims in Cadillac and Bousquet Townships, Quebec, known as Once Upon a Time. The Company issued 125,000 shares and paid $10,000 as an initial payment and is obligated to issue an additional 225,000 shares, pay $15,000 and spend $1,000,000 on the project by January 31, 2011. Upon receipt of the annual Quebec Government rebate, the Company will pay in staged amounts a total of $135,000 representing 13.5% of the exploration expenditures to January 31, 2011. The agreement provides for a 2% Net Smelter Royalty which the Company can purchase for $1,000,000 prior to production and $2,000,000 after production.

On December 1, 2008, both parties mutually agreed to extend all the terms within the original option agreement by one year. As a result, the next obligation dates for the expenditures on exploration work, the issuance of common shares, payments, and the further payment due upon receipt of the annual Quebec Government rebate, became due on January 31, 2010.

On January 29, 2010, the parties agreed to a four month extension to the January 31, 2010 due date. As a result, expenditures on exploration requirements consist of $200,000 by May 31, 2010, $300,000 by January 31, 2011 and $500,000 by January 31, 2012, for a total of $1,000,000 in exploration expenditures.

Payments and common shares consists of $5,000 and 100,000 shares due May 31, 2010, $5,000 and 75,000 shares due January 31, 2011 and $5,000 and 50,000 shares due January 31, 2012, for a total of $25,000 and 350,000 shares, of which $10,000 and 125,000 shares were paid initially in 2008.

5. Mineral Properties and Deferred Exploration Costs (continued)

b) Val d'Or Project (continued)

ii) Manseau Option (continued)

Further payment due is based on receipt of the annual Quebec Government rebate for completed exploration work on the said property. The Company is to pay in staged amounts a total of $135,000 representing 13.5% of the $1,000,000 completed exploration expenditures on January 31, 2012.

iii) Company owned claims by acquisition or staking

As at December 31, 2009, the Company's acquired or staked claims consist of 5 properties known as Vauquelin, Pershing Denain (with 38 claims subject to a 2% net metal royalty), Vauquelin Pershing, Vauquelin Horseshoe and Hop O'My Thumb (with 2 claims subject to a 2% net smelter royalty) which are located in Vauquelin Township. Collectively these five properties consist of 190 claims totalling 3,119 hectares.

On July 20, 2009 the Company acquired 2 claims for 250,000 common shares (subject to a 2% net smelter royalty) in Vauquelin Township which border on other claims wholly owned by Plato in the area. These two claims have since been included as part of the Hop O' My Thumb property.

c) Lolita Project

On August 27, 2007, the Company entered into an agreement to acquire a 75% interest in 29,904 hectares known as the Lolita Property in Argentina. The Company is required to incur US$50,000 in initial expenditures before June 19, 2009. On June 16, 2009 the parties extended this requirement to December 31, 2009. As of December 31, 2009 the initial expenditures of US$50,000 has been met in accordance with the agreement.

Upon completion of the initial expenditures, a Joint Work Program for up to US$500,000 will be jointly developed and be financed 75% by the Company and 25% by the other party. The other party is obliged to fund 25% of the Joint Work Program or have its interest diluted on a pro-rata basis to a carried interest of 2%. The other party will retain a 2% net smelter royalty, which can be bought back by the Company for US$500,000.

6. Property, Plant and Equipment

	2009			2008		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer equipment	$ 2,879	$ 2,400	$ 479	$ 2,879	$ 2,195	$ 684
Furniture and fixtures	5,256	4,183	1,073	5,256	3,723	1,533
	$ 8,135	$ 6,583	$ 1,552	$ 8,135	$ 5,918	$ 2,217

7. Note Payable

On December 31, 2008, the Company borrowed $139,000 at an effective interest rate of 14.93% (coupon rate of 5%) per annum payable on the earlier of September 30, 2009 or receipt of the 2008 Quebec government exploration rebate. Financing fees of $17,435 which were paid to obtain this note, had been recorded as deferred financing costs against the liability and was charged to interest expense over the term of the note. On August 24, 2009, the Company repaid the note in full.

8. Due to Related Parties

	2009	2008
Related Company	$ 85,000	$ -

Amounts due to related parties are non-interest bearing, unsecured and due on demand. The Company and the related company have a director in common. This director is also a shareholder and officer of both companies.

9. Share Capital

a) Authorized:

Unlimited common shares
Unlimited preferred shares

b) Common Shares Issued and Outstanding:

	Number	Amount
Balance - December 31, 2007	53,543,560	$ 4,151,864
Issued for:		
Private placements	10,636,556	594,432
Mineral property acquisition	625,000	15,000
Tax effect of renunciation of flow-through shares	-	(469,605)
Balance - December 31, 2008	64,805,116	4,291,691
Issued for:		
Private placements	29,620,001	605,998
Mineral property acquisition	750,000	45,000
Tax effect of renunciation of flow-through shares	-	(211,278)
Balance - December 31, 2009	95,175,117	$ 4,731,411

c) 2009 Shares Issued

During the year ended December 31, 2009, the Company:

i) Issued 3,333,333 common shares for a cash consideration of $100,000 pursuant to a private placement. In conjunction with the financing, share issuance costs of $1,447 were paid.

ii) Issued 3,333,333 common shares for a cash consideration of $100,000 pursuant to a private placement.

iii) Issued 250,000 common shares with a fair value of $10,000 for property.

iv) Issued 8,111,110 flow-through units for cash proceeds of $365,000 pursuant to a private placement.

Each flow-through unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 per common share until September 25, 2011 at which time the warrants expire.

The fair value of the warrants were estimated at $169,214 and this amount has been allocated to the warrant component of the units.

9. Share Capital (continued)

c) 2009 Shares Issued

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	1.27%
Expected life	2.0 years
Expected volatility	241% to 298%

In conjunction with the financing, share issuance costs of $43,330 were paid. Compensation options were issued to acquire a total of 811,111 units exercisable at $0.045 per unit until September 25, 2011. The fair value of the options were estimated at $23,844

v) Issued 1,609,446 flow-through units and 4,666,668 non flow-through units for cash proceeds of $282,425 pursuant to a private placement.

Each flow through unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each non flow-through unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 per common share until October 8, 2011 at which time the warrants expire.

The fair value of the warrants were estimated at $137,541 and this amount has been allocated to the warrant component of the units.

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	1.50%
Expected life	2.0 years
Expected volatility	297%

In conjunction with the financing, share issuance costs of $33,528 were paid. Compensation options were issued to acquire a total of 444,444 units exercisable at $0.045 per unit until October 8, 2011. The fair value of the options were estimated at $21,486.

vi) Issued 8,311,111 flow-through units and 255,000 non flow-through units for cash proceeds of $385,475 pursuant to a private placement.

Each flow-through unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each non flow-through unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 per common share until October 20, 2011 at which time the warrants expire.

9. Share Capital (continued)

c) 2009 Shares Issued (continued)

The fair value of the warrants were estimated at $191,581 and this amount has been allocated to the warrant component of the units.

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	1.50%
Expected life	2.0 years
Expected volatility	297%

In conjunction with the financing, share issuance costs of $45,761 were paid. Compensation options were issued to acquire a total of 811,111 units exercisable at $0.045 per unit until October 20, 2011. The fair value of the options were estimated at $47,183

vii) Issued 500,000 common shares with a fair value of $35,000 pursuant to an option agreement.

viii) Renounced Canadian exploration expenditures of $728,544 to the investors who had subscribed for the Company's flow-through shares in 2008 ("the renunciation"), resulting in a taxable temporary difference between the tax value and the carrying value of the Company's resource expenditures and creating a future income tax liability and a reduction to share capital of $211,278.

d) 2008 Shares Issued

During the year ended December 31, 2008, the Company:

i) Issued 125,000 common shares with a fair value of $10,000 pursuant to an option agreeement.

ii) Issued 2,555,556 flow-through units for cash proceeds of $250,000 pursuant to a private placement.

Each unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.15 per common share until July 31, 2010, at which time the warrants expire.

The fair value of the warrants were estimated at $49,199 and this amount has been allocated to the warrant component of the units.

9. Share Capital (continued)

d) 2008 Shares Issued (continued)

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	2.83%
Expected life	2.0 years
Expected volatility	78%

In conjunction with the financing, share issuance costs of $9,458 were paid. Agent's compensation options were issued to acquire a total of 100,000 units exercisable at $0.10 per unit until July 31, 2010. The fair value of the options were estimated at $3,152 less $800 of issuance costs.

iii) Issued 2,500,000 flow-through units for cash proceeds of $250,000 pursuant to a private placement.

Each unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.15 per common share until September 4, 2010, at which time the warrants expire.

The fair value of the warrants were estimated at $50,782 and this amount has been allocated to the warrant component of the units.

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	2.73%
Expected life	2.0 years
Expected volatility	77%

In conjunction with the financing, share issuance costs of $12,338 were paid.

iv) Issued 2,126,000 flow-through units for cash proceeds of $106,300 pursuant to a private placement.

Each unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 per common share until November 12, 2010 at which time the warrants expire.

The fair value of the warrants were estimated at $16,753 and this amount has been allocated to the warrant component of the units.

9. Share Capital (continued)

d) 2008 Shares Issued (continued)

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	2.62%
Expected life	2.0 years
Expected volatility	123%

In conjunction with the financing, share issuance costs of $20,748 were paid. $7,718 of these share issuance costs were allocated to warrants. Compensation options were issued to acquire a total of 212,600 units exercisable at $0.05 per unit until November 12, 2010. The fair value of the options were estimated at $4,933.

v) Issued 455,000 flow-through units for cash proceeds of $22,750 pursuant to a private placement.

Each unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 per common share until November 19, 2010 at which time the warrants expire.

The fair value of the warrants were estimated at $3,497 and this amount has been allocated to the warrant component of the units.

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	2.62%
Expected life	2 years
Expected volatility	123%

In conjunction with the financing, share issuance costs of $16,495 were paid. $4,958 of these share issuance costs were allocated to warrants.

vi) Issued 3,000,000 flow-through units for cash proceeds of $150,000 pursuant to a private placement.

Each unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 per common share until December 24, 2010 at which time the warrants expire.

The fair value of the warrants were estimated at $9,553 and this amount has been allocated to the warrant component of the units.

9. Share Capital (continued)

d) 2008 Shares Issued (continued)

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	2.62%
Expected life	2.0 years
Expected volatility	164%

In conjunction with the financing, share issuance costs of $12,800 were paid. $3,800 of these share issuance costs were allocated to warrants.

vii) Issued 500,000 common shares with a fair value of $5,000 pursuant to an option agreement.

viii) Renounced Canadian exploration expenditures of $1,619,326 to the investors who had subscribed for the Company's flow-through shares in 2007 ("the renunciation"), resulting in a taxable temporary difference between the tax value and the carrying value of the Company's resource expenditures and creating a future income tax liability and a reduction to share capital.

10. Warrants

	Number	Amount	Weighted Average Exercise Price
Balance - December 31, 2007	19,817,873	$ 552,867	$ 0.28
Issued	10,636,556	106,308	0.12
Expired	(4,083,332)	(135,246)	(0.23)
Balance - December 31, 2008	26,371,097	523,929	0.23
Issued	22,953,335	411,770	0.10
Expired	(15,734,541)	(417,619)	(0.30)
Balance - December 31, 2009	33,589,891	$ 518,080	$ 0.11

As at December 31, 2009, the following common share purchase warrants ("warrants") were issued and outstanding:

a) 2,555,556 warrants entitling the holder to purchase one common share at $0.15 until July 31, 2010.

b) 2,500,000 warrants entitling the holder to purchase one common share at $0.15 until September 4, 2010.

c) 2,126,000 warrants entitling the holder to purchase one common share at $0.10 until November 12, 2010.

d) 455,000 warrants entitling the holder to purchase one common share at $0.10 until November 19, 2010.

e) 3,000,000 warrants entitling the holder to purchase one common share at $0.10 until December 24, 2010.

f) 8,111,110 warrants entitling the holder to purchase one common share at $0.10 until September 25, 2011.

g) 6,276,114 warrants entitling the holder to purchase one common share at $0.10 until October 8, 2011

h) 8,566,111 warrants entitling the holder to purchase one common share at $0.10 until October 20, 2011

11. Stock Options

a) The Board of Directors has adopted a stock option plan for the Company (the "Plan"). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non-transferable options to purchase shares to directors, officers, employees and consultants of the Company.

Under the Plan, the aggregate number of shares to be issued upon the exercise of options granted thereunder may not exceed 10% of the number of issued and outstanding shares at the time of granting the options. Options shall expire no later than ten years after the date of grant.

The exercise price of options granted pursuant to the Plan shall be established based on the average closing price of the shares for the five days prior to the date of grant or such other method of pricing as may be acceptable to the stock exchange on which the shares are listed.

b) A summary of changes to stock options is as follows:

	Number	Amount	Weighted Average Exercise Price
Balance - December 31, 2007	6,101,968	$ 501,042	$ 0.126
Granted/vested	600,000	66,010	0.100
Agent's compensation options granted	312,600	7,285	0.066
Expired	(658,333)	(31,410)	(0.106)
Balance - December 31, 2008	6,356,235	542,927	0.122
Granted/vested	3,205,000	159,091	0.100
Agent's compensation options granted	2,066,666	92,513	0.045
Expired	(893,635)	(78,497)	0.083
Forfeited	(250,000)	(3,940)	0.022
Balance - December 31, 2009	10,484,266	$ 712,094	$ 0.102

c) During the year ended December 31, 2009, the Company:

i) Granted 1,575,000 stock options to directors, officers and employees on April 23, 2009. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.10 per share until April 23, 2014. Option vested upon grant. The estimated fair value of $46,132 has been included in stock based compensation.

The fair value of stock options to the consultant was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	2.01%
Expected life	5.0 years
Expected volatility	220%

11. Stock Options (continued)

ii) Granted 1,630,000 stock options to directors, officers and employees on December 4, 2009. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.10 per share until December 4, 2019. Option vested upon grant. The estimated fair value of $112,959, has been included in stock based compensation.

The fair value of stock options to the consultant was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	3.32%
Expected life	10.0 years
Expected volatility	134%

d) During the year ended December 31, 2008, the Company:

i) Granted 350,000 stock options to a consultant to the Company as compensation for services. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.10 per share until March 28, 2013. Options vested upon grant. The estimated fair value of $19,820 is included in stock based compensation.

The fair value of stock options to the consultant was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	2.60%
Expected life	2.0 years
Expected volatility	118%

ii) Granted 250,000 stock options to an investor relations firm in exchange for services. Each option entitles the holder to purchase one share of the company's common stock at a price of $0.10 per share until August 26, 2010. 25% of these options are vested at the date of grant and the remainder vest at the rate of 25% every four months following the date of grant. The estimated fair value was $7,881, of which $3,940 is included in stock-based compensation. On January 12, 2009, these options expired.

The fair value of stock options to the investor relations firm was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	2.83%
Expected life	1.0 years
Expected volatility	119%

11. Stock Options (continued)

e) As at December 31, 2009 the following options were outstanding:

Exercise Price	Number of Options: Unvested	Number of Options: Vested	Expiry Date
$ 0.100	-	1,150,000	December 18, 2012
$ 0.105	-	1,800,000	November 16, 2011
$ 0.175	-	900,000	April 5, 2011
$ 0.200	-	700,000	September 1, 2010
$ 0.100	-	350,000	March 28, 2013
$ 0.100	-	100,000	July 31, 2010
$ 0.050	-	212,600	November 12, 2012
$ 0.100	-	1,575,000	April 23, 2014
$ 0.045	-	811,111	September 25, 2011
$ 0.045	-	444,444	October 8, 2011
$ 0.045	-	811,111	October 20, 2011
$ 0.100	-	1,630,000	December 4, 2019
	-	10,484,266	

12. Contributed Surplus

	2009	2008
Balance - beginning of year	$ 381,211	$ 214,555
Expiry of warrants	417,619	135,246
Expiry of options	78,497	31,410
Forfeiture of options	3,940	-
Balance - end of year	$ 881,267	$ 381,211

13. Income Taxes

a) Income tax recovery attributable to the loss differs from the amounts computed by applying the combined federal and provincial tax rates of 31% (2008 - 33.50%) to the pretax loss as a result of the following:

	2009	2008
Loss for the year before income taxes	$ (708,007)	$ (652,226)
Income tax recovery computed as statutory rates	(219,482)	(218,496)
Permanent differences		
Stock-based compensation	49,318	22,113
Differences in tax rates	(14,571)	(72,870)
Other	36,954	(106,409)
	$ (147,781)	$ (375,662)

b) The income tax effects of temporary differences that give rise to significant portions of the future income tax assets and future income tax liabilities as at December 31, 2009 and 2008 are presented below:

	2009	2008
Future income tax assets (liabilities):		
Canadian exploration and development expenses	$ (842,673)	$ (988,572)
Non-capital loss carryforwards	603,619	791,400
Share issurance costs	80,688	102,170
Property, plant and equipment	926	1,059
Net future income tax liability	$ (157,440)	$ (93,943)

As at December 31, 2009 there was a future tax liability of $157,440 (2008 - $93,943). The tax effect of resource expenditures renounced to shareholders in 2009 of $211,278 (2008 - $469,605) has been deducted from share capital. A difference in the amount of $147,781 (2008 - $375,662) between the tax effect of resource expenditures renounced and future tax liability has been recognized in the income statement as a reversal of a prior year valuation allowance.

13. Income Taxes (continued)

c) As at December 31, 2009, the Company had non-capital loss carryforwards of approximately $2,859,000 which are available to reduce taxable income of future years and expire as follows:

2010	$ 46,000
2014	213,000
2015	68,000
2015	325,000
2026	590,000
2027	700,000
2028	341,000
2029	522,000
	$ 2,805,000

The benefit of these losses has been recognized in these financial statements to offset the future income tax liability arising as a result of renunciation of resource expenditures.

14. Related Party Transactions

During the year ended December 31, 2009 the Company:

a) incurred rent of $24,000 (2008 - $24,000) with a related company. The Company and the related company have an officer in common. This officer is also a director and shareholder of both companies.

b) incurred consulting fees of $81,648 (2008 - $81,648) with one of the Company's officers. As at December 31, 2009, accounts payable and accrued liabilities included $6,804 payable (2008 - $nil).

c) incurred consulting fees of $5,670 (2008 - $5,670) with one of the Company's directors.

d) incurred accounting fees of $78,361 (2008 - $91,634) with an accounting firm in which one of the Company's officers is a partner. As at December 31, 2009, accounts payable and accrued liabilities included $35,624 (2008 - $51,575) payable to this accounting firm.

e) incurred directors fees of $21,600 (2008 - $21,600). As at December 31, 2009, accounts payable and accrued liabilities included $38,200 (2008 - $16,600).

f) received an advance of $85,000 from a related corporation. The Company and the related corporation have a director in common. This director is also a shareholder and officer of both corporations.

15. Financial Instruments

a) Fair Value

The carrying value of cash is measured at fair value as it is classified as held for trading. Accounts payable, accrued liabilities, the note payable and due to related parties are classified as other financial liabilities, which are measured at amortized cost. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

b) Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at December 31, 2009, the Company had a cash balance of $82,015 (2008 - $52,967) to settle current liabilities of $614,665 (2008 - $433,407). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. In addition, other receivables include a $72,684 receivable from the Government of Quebec for a tax credit for mineral exploration, which will be used to settle current liabilities.

The Company has no income and relies on equity financing to support its exploration program. Additional financing is required to fund the related operating expenses required to manage the Company through fiscal 2010. Management prepares budgets and ensures funds are available prior to commencement of any exploration program.

c) Credit Risk

Credit risk is the risk of loss assocated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk relates to cash and other receivables. Cash is held with a reputable financial institution and is closely monitored by management. Other receivables consist of goods and services tax due from the Federal Government of Canada and an exploration rebate for mineral exploration expenses due from the Government of Quebec. The Company's maximum credit exposure is $104,263 at December 31, 2009 (2008 - $403,023). Management believes the credit risk with respect to other receivables is not significant.

16. Capital Disclosures

The Company's objective when managing capital is to raise sufficient funds to execute its exploration plan. At December 31, 2009, the Company's capital consists of equity in the amount of $4,124,480 (2008 - $3,581,612).

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

16. Capital Disclosures (continued)

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 does not have any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year ended December 31, 2009.

17. Subsequent Events

a) On January 29, 2010, the Company obtained a four month extension to the Manseau Option for the Once Upon a Time project. As a result, expenditures on exploration requirements now consist of $200,000 by May 31, 2010, $300,000 by January 31, 2011 and $500,000 by January 31, 2012, for a total of $1,000,000 in exploration expenditures.

b) On April 6, 2010, the Company issued 6,800,000 flow-through units and 1,200,000 non flow-through units for cash proceeds of $400,000 pursuant to a private placement. Each flow-through unit consists of one flow-through common share and one full warrant with an exercise price of $0.10 expiring two years from the closing date. Each unit consists of one common share and one full warrant with an exercise price of $0.10 expiring two years from the closing date.

c) As of April 19, 2010, the Company had outstanding an unsecured advance of $300,000 from a related corporation. The Company and the related corporation have a director in common. This director is also a shareholder and officer of both corporations.