BITTERROOT RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2009 AND 2008

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7
Phone: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

AUDITORS' REPORT

To the Shareholders of
Bitterroot Resources Ltd.

We have audited the consolidated balance sheets of Bitterroot Resources Ltd. as at October 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

February 12, 2010

BITTERROOT RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)

OCTOBER 31	**2009**	**2008**
	$	**$**
ASSETS		
Current Assets		
Cash and cash equivalents	758,215	381,957
Receivables	525,772	1,275,284
Prepaid expenses	23,688	21,407
	1,307,675	1,678,648
Reclamation Deposit	15,800	15,800
Resource Properties (Note 3)	15,090,668	13,887,432
Equipment (Note 4)	9,446	14,020
	16,423,589	15,595,900
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	182,435	401,143
Asset Retirement Obligation (Note 5)	22,611	-
Future Income Tax Liability (Note 11)	1,145,579	790,749
	1,350,625	1,191,892
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	19,049,894	18,467,531
Contributed Surplus (Note 7)	2,891,573	2,641,647
Deficit	(6,868,503)	(6,705,170)
	15,072,964	14,404,008
	16,423,589	15,595,900

Commitments (Note 16)
Subsequent Events (Note 17)

Approved on behalf of the Board of Directors:

"Michael S. Carr"
Michael S. Carr, Director

"George W. Sanders"
George W. Sanders, Director

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

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
(Expressed in Canadian Dollars)

YEARS ENDED OCTOBER 31	2009	2008
	$	$
Revenues	–	–
Expenses		
Amortization	3,188	4,934
Accretion	2,056	-
Foreign exchange loss (gain)	56,187	(19,263)
Interest and bank charges	2,845	3,927
Management fees (Note 10)	96,000	96,000
Office and printing	111,838	101,921
Professional fees	105,338	116,827
Property investigation (recoveries)	(13,345)	78,146
Regulatory fees	8,214	9,677
Shareholder information	14,099	11,636
Stock-based compensation (Note 8)	212,743	351,498
Transfer agent fees	13,804	14,742
	612,967	770,045
Loss Before Other Items and Income Taxes	(612,967)	(770,045)
Other Items		
Interest income	22,401	87,508
Write-off of resource properties	-	(64,850)
Gain on sale of equipment	2,112	-
	24,513	22,658
Loss Before Income Taxes	(588,454)	(747,387)
Income Taxes		
Future income tax recovery (Note 11)	425,121	101,698
Net Loss and Comprehensive Loss for the Year	(163,333)	(645,689)
Deficit, Beginning of Year	(6,705,170)	(6,059,481)
Deficit, End of Year	(6,868,503)	(6,705,170)
Basic and Diluted Loss Per Share	(0.00)	(0.01)
Weighted Average Number Of Shares Outstanding	66,373,614	56,547,225

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

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

YEARS ENDED OCTOBER 31	2009	2008
	$	$
Operating Activities		
Net loss for the year	(163,333)	(645,689)
Items not involving cash and cash equivalents:		
Amortization	3,188	4,934
Accretion	2,056	-
Write-off of resource properties	-	64,848
Gain on sale of equipment	(2,112)	-
Future income tax recovery	(425,121)	(101,698)
Stock-based compensation	212,743	351,498
	(372,579)	(326,107)
Changes in non-cash working capital:		
Receivables	1,225,317	(627,507)
Prepaid expenses	(2,281)	(18,751)
Accounts payable and accrued liabilities	(310,915)	93,341
	912,121	(552,917)
Cash provided by (used in) operating activities	539,542	(879,024)
Financing Activity		
Share issuances, net of share issue costs	942,602	1,912,309
Investing Activities		
Increase in reclamation deposits	-	(2,500)
Disposal of equipment	3,500	-
Resource property expenditures, net of recoveries	(1,109,386)	(3,743,531)
Cash used in investing activities	(1,105,886)	(3,746,031)
Increase (Decrease) in Cash and Cash Equivalents During the Year	376,258	(2,712,746)
Cash and Cash Equivalents, Beginning of Year	381,957	3,094,703
Cash and Cash Equivalents, End of Year	758,215	381,957

Cash and Cash Equivalents Consist of:		
Bank deposits	308,215	381,957
Guaranteed investment certificate	450,000	–
	758,215	381,957

Supplemental Cash Flow Information (Note 9)

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

1. Nature of Operations

Bitterroot Resources Ltd. (the "Company"), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange. The Company is in the exploration stage and its principal business activity is the acquisition and exploration of resource properties.

At October 31, 2009, the Company was in the process of exploring its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof.

The Company incurred a loss of $163,333 for the year ended October 31, 2009 and had a deficit of $6,868,503 at October 31, 2009, which has been funded primarily by the issuance of equity. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing, and generating revenues sufficient to cover its operating costs.

These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated balance sheets.

2. Significant Accounting Policies

(a) Basis of Presentation and Consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, are expressed in Canadian dollars, and include the accounts of the Company, and its wholly-owned subsidiaries, Trans Superior Resources, Inc. and Voyageur Lands Corporation, both of which are Michigan, USA corporations. All significant inter-company balances and transactions have been eliminated upon consolidation. Certain figures from the previous year have been reclassified to conform to the current year's presentation.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity 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 consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the recoverability or valuation of receivables and resource properties, the valuation of future income tax liabilities and asset retirement obligation, and the measurement of stock-based compensation. Management believes the estimates are reasonable.

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

(c) Resource Properties

The Company accounts for resource properties in accordance with the Canadian Institute of Chartered Accountants Handbook Section 3061, "Property, plant and equipment" ("CICA 3061"), and EIC abstract 174, "Mining Exploration Costs" ("EIC 174") of the Emerging Issues Committee. CICA 3061 provides for the capitalization of the acquisition and exploration costs of a mining property where such costs are considered to have the characteristics of property, plant and equipment. EIC 174 provides that a mining enterprise is not precluded from considering exploration costs to have the characteristics of property, plant and equipment when it has not established mineral reserves objectively and, therefore, does not have a basis for preparing a projection of the estimated future net cash flow from the property.

Resource properties include initial acquisition costs and related option payments, which are recorded when paid. Exploration and development costs are capitalized until properties are brought into production, at which time costs are amortized on a unit of production basis over economically recoverable reserves. Option payments and cost recoveries are credited against resource property costs when received. No gain or loss on disposition of a partial interest is recorded until all carrying costs of the interest have been offset by proceeds of sale or option payments received.

CICA 3061 also provides that property, plant and equipment be written down when the long-term expectation is that the net carrying amount will not be recovered. EIC 174 states that a mining enterprise which has not objectively established mineral reserves and, therefore, does not have a basis for preparing a projection of the estimated future cash flow from a property is not obliged to conclude that the capitalized costs have been impaired.

However, EIC 174 references certain conditions that should be considered in determining subsequent write-downs, such as significant changes or abandonment of a work program, the remaining lease terms are insufficient to conduct exploration work, a delay in development that extends beyond three years or poor exploration results, and management reviews such conditions to determine whether a write-down of capitalized costs is required. When the carrying value of a property exceeds its net recoverable amount, provision is made for the impairment in value.

(d) Equipment

Equipment is recorded at cost, including betterment and renewals subsequent to acquisition, less accumulated amortization. When equipment is sold or abandoned, the recorded costs and related accumulated amortization are removed from the accounts and any gains or losses are included in the determination of net earnings. Repairs and maintenance are recorded as an expense as incurred.

Amortization is calculated on the declining balance method at the following rates per annum:

Computer hardware	-	30%
Furniture and fixtures	-	20%
Leasehold improvements	-	20%
Field equipment	-	30%

The Company reviews the carrying value of equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset exceeds the estimate of undiscounted future cash flows from the asset. At that time, the carrying amount is written down to fair value.

2. Significant Accounting Policies (Continued)

(e) Foreign Currency Translation

Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary balance sheet items expressed in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in income.

The Company's integrated foreign subsidiaries are financially or operationally dependent on the Company. The Company uses the temporal method to translate the accounts of its integrated operations into Canadian dollars. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period, except for amortization, which is translated on the same basis as the related asset. The resulting exchange gains or losses are recognized in income.

(f) Earnings/Loss Per Share

Basic earnings/loss per share is computed by dividing net earnings/loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of "in the money" stock options and warrants.

(g) Stock-Based Compensation

The Company has a plan for granting stock options to directors, employees and consultants as described in Note 8. The Company recognizes compensation expense under this plan using the fair value method in accordance with CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments". Under this method, the fair value of stock options granted to employees is recognized as stock-based compensation expense over the vesting period and credited to contributed surplus. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to non-employees is recognized as stock-based compensation expense from the date of grant to the reporting date and credited to contributed surplus. Upon the exercise of stock options, consideration paid and the fair value amounts previously credited to contributed surplus are recorded as share capital. The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted.

(h) Income Taxes

Income taxes are accounted for under the asset and liability method. Under the asset and liability method, 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 substantively enacted tax rates expected to apply when temporary differences are recovered or settled. The effect on future tax assets and liabilities of changes in tax rates is recognized in income in the period that substantive enactment occurs.

2. Significant Accounting Policies (Continued)

(i) Flow-Through Shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related exploration expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

The Company follows the recommendations of EIC-146 with respect to flow-through shares. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made.

(j) Asset Retirement Obligations

The Company follows CICA Handbook Section 3110, “Asset Retirement Obligations”. This standard requires liability recognition for retirement obligations associated with the Company’s resource properties. The standard requires the Company to recognize the fair value of the liability for an asset retirement obligation in the period in which it is incurred and record a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statement of operations. The increase in the carrying value of the asset is amortized on the same basis as the resource properties. For the year ended October 31, 2009 the Company identified asset retirement obligations relating to its Mineral Creek property (Note 5). For the year ended October 31, 2008 the Company did not identify any asset retirement obligations.

(k) Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and guaranteed investment certificates that on acquisition have a term to maturity of twelve months or less, or may be redeemed during this period. These guaranteed investment certificates are highly liquid, are designated as held-for-trading and are recorded at their fair values. Face value represents the fair value due to the highly liquid nature of the investment certificates.

(l) Financial Instruments

The Company classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables or other financial liabilities, in accordance with CICA Handbook Section 3855. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations.

(m) Government Assistance

The Company adheres to CICA Handbook Section 3805 “Investment Tax Credits”. According to this standard, investment tax credits are accounted for using the cost reduction approach. This approach requires investment tax credits received or receivable to be deducted from capitalized resource expenditures. Investment tax credits are accrued when the Company has made the qualifying expenditures, provided there is reasonable assurance that the credits will be realized. Realization is assessed based on collection history.

2. **Significant Accounting Policies** (Continued)

(n) Hedges

The Company follows CICA Handbook Section 3865 which specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company has not designated any hedging relationships.

(o) Adoption of New Accounting Standards

Effective November 1, 2008, the Company adopted the following accounting standards updates issued by the Canadian Institute of Chartered Accountants.

(i) Assessing Going Concern – Section 1400

The Accounting Standards Board ("AcSB") amended the Section 1400, to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern. The disclosures required by this standard are included in Note 1 of these financial statements.

(ii) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064 which replaces Section 3062, "Goodwill and Other Intangible Assets". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

(iii) Financial Instruments

In June 2009, the CICA amended Section 3862, Financial Instruments – Disclosures. These amendments are applicable to financial statements relating to the Company's annual financial statements ending October 31, 2009. The amendments provide for additional disclosure requirements about fair value measurements of financial instruments and enhanced liquidity risk disclosure requirements for publicly accountable enterprises. The additional required disclosures are included in Note 13 of these financial statements.

(p) Recent Accounting Pronouncements

(i) Business Combinations

In January 2009, the CICA issued Section 1582 – "Business Combinations" which replaces the existing standard. The section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. This standard is equivalent to the International Financial Reporting Standards ("IFRS") on business combinations. This standard is applied prospectively to business combination with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company's consolidated financial statements.

(ii) Consolidated Financial Statements and Non-Controlling Interest

In January 2009, the CICA issued Section 1601 – "Consolidated Financial Statements" and Section 1602 – "Non-Controlling Interests" effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These standards further align Canadian GAAP with US GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting for ownership interests in subsidiaries held by parties other than the parent. The Company is currently considering the impact of adopting these pronouncements on its consolidated financial statements in fiscal 2012 in connection with the conversion to IFRS.

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

(p) Recent Accounting Pronouncements (continued)

(iii) International Financial Reporting Standards

In 2006, the 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 January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Resource Properties

	GK Property B.C., Canada	Mineral Creek Property B.C., Canada	North Brenda Property B.C., Canada	SPN Property B.C., Canada	Big Southeaster Property B.C., Canada	Sk/Man Coal Property, Canada	Michigan Lands Michigan, USA	Total
	$	$	$	$	$	$	$	$
Balance - October 31, 2007	2,187,153	2,413,847	1,529,512	222,295	1,399,680	-	2,768,213	10,520,700
Deferred Costs During the Year								
Acquisition costs	25,000	28,000	15,000	13,000	20,000	-	-	101,000
Aircraft charter	-	-	-	-	-	12,341	-	12,341
Claims, leases and permits	18,151	55,305	1,100	8,688	49,586	14,880	12,057	159,767
Consulting and professional	170,015	137,720	134,229	143,059	92,031	25,224	350,917	1,053,195
Drilling	411,589	856,531	9,672	-	196,288	-	313,812	1,787,892
Field supplies	6,725	73,325	2,022	1,025	659	284	37,841	121,881
Fuel	11,329	20,689	993	-	8,633	-	11,043	52,687
Geochemistry	39,825	23,583	41,743	32,064	35,286	-	-	172,501
Geophysics	-	57,307	115,422	88,331	57,307	-	42,503	360,870
Ground transportation	6,007	11,448	4,751	2,217	4,338	597	31,457	60,815
Other	5,453	34,681	9,541	5,244	4,698	305	62,585	122,507
Recovery of costs	(28,451)	(229,630)	(58,569)	-	(792)	-	(436,596)	(754,038)
Room and board	15,143	22,632	578	9,871	5,445	853	33,468	87,990
Stock-based compensation	15,279	1,389	15,279	-	1,389	8,910	2,673	44,919
Travel and freight	6,299	3,540	2,993	582	3,302	1,456	4,415	22,587
Trenching	24,668	-	-	-	-	-	-	24,668
	727,032	1,096,520	294,754	304,081	478,170	64,850	466,175	3,431,582
Write-off of resource properties	-	-	-	-	-	(64,850)	-	(64,850)
Balance - October 31, 2008	2,914,185	3,510,367	1,824,266	526,376	1,877,850	-	3,234,388	13,887,432
Deferred Costs During the Year								
Acquisition costs	-	390,648	50,286	9,000	50,000	-	-	499,934
Aircraft charter	-	16,659	-	-	-	-	-	16,659
Claims, leases and permits	14,617	5,064	10,784	11,142	5,567	-	29,049	77,442
Consulting and professional	8,381	208,414	56,061	3,290	225	-	255,800	545,209
Drilling	-	932,622	-	-	-	-	260,675	1,193,297
Field supplies	98	70,823	1,039	-	57	-	21,735	93,752
Fuel	-	11,019	-	-	-	-	9,900	20,919
Geochemistry	-	32,720	9,649	5,887	-	-	27,717	75,973
Geophysics	-	10,242	-	12,819	375	-	27,855	40,072
Ground transportation	60	22,345	2,054	-	50	-	15,127	39,636
Other	1,980	30,929	2,700	125	2,860	-	72,002	120,596
Recovery of costs	(417,276)	(61,999)	(332,506)	(130,312)	-	-	(676,244)	(1,618,337)
Room and board	-	28,395	701	-	78	-	21,080	50,254
Stock-based compensation	-	-	-	-	-	-	8,457	8,457
Travel and freight	-	12,743	58	60	-	-	11,172	24,033
Trenching	-	-	28,378	-	-	-	-	15,340
	(392,140)	1,710,624	(170,796)	(87,989)	59,212	-	84,325	1,203,236
Balance - October 31, 2009	2,522,045	5,220,991	1,653,470	438,387	1,937,062	-	3,318,713	15,090,668

(Expressed in Canadian Dollars)

3. Resource Properties (Continued)

Title to resource properties involves certain inherent risks due to 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 resource properties. The Company has investigated title to its resource properties and to the best of its knowledge, title to its properties are in good standing.

(a) Michigan Lands, Michigan, U.S.A.

(i) Mineral Rights

The Company owns a 100% interest in mineral rights covering approximately 363 square miles in the Upper Peninsula of Michigan, U.S.A. On approximately 106 square miles, the vendor retains a 2% net smelter return royalty (NSR) and the Company has the option to purchase one half of the total 2% NSR royalty by paying $1,000,000 U.S. on or before December 31, 2048.

On February 18, 2003, the Company entered into an option agreement with Cameco Corporation whereby the Company granted to Cameco the option to acquire a 65% interest in certain Michigan mineral rights within a 56 square mile area of interest. To earn this interest Cameco was to incur $1,600,000 of exploration expenditures. During the year ended October 31, 2009, Cameco completed its funding obligations and was deemed to have acquired a 65% interest in the project area. Cameco and Bitterroot also jointly retain the right to acquire 50% of each other's interest in an adjoining 184 square mile area of interest by refunding 100% of any land acquisition cost incurred.

(ii) State Leases

At October 31, 2009, the Company held leases covering approximately 7,389 acres of State of Michigan mineral rights. State leases are subject to a sliding scale production royalty ranging from 2% to 10.5%, or to a net smelter returns royalty, the terms of which are negotiated on a case-by-case basis. In order to maintain the leases in good standing, the Company must make aggregate rental payments of $159,096 through February 28, 2014. Minimum rental payments due in the next five years are as follows:

	$
2010	24,927
2011	19,167
2012	38,334
2013	38,334
2014	38,334
	159,096

During the year ended October 31, 2009, the Company incurred exploration expenditures of $760,569 (2008 - $902,771) relating to the Michigan properties and received and/or accrued recoveries of $676,244 (2008 - $436,596) from Cameco Corporation for their 65% interest in certain Michigan mineral rights.

3. **Resource Properties** (Continued)

(b) GK Property, B.C., Canada

The Company owns a 100% interest in the GK Property located east of the town of Beaverdell, British Columbia. In order to earn this interest, the Company has issued 300,000 common shares at a value of $85,000, and made payments totalling $85,000 within a three year period. The vendors retain a 2% net smelter returns royalty, of which the Company can purchase half by paying $1,000,000.

During the year ended October 31, 2009, the Company incurred acquisition and exploration expenditures of $25,136 (2008 - $755,483) relating to the GK property and received and/or accrued British Columbia Mining Exploration Tax Credits ("BC METC") of $417,276 (2008 - $28,451).

(c) Mineral Creek Property, B.C., Canada

During the year the Company obtained 100% ownership interest in the Mineral Creek Property, located near Port Alberni, B.C. As at October 31, 2008, the Company had earned a 75% interest in the property by completing exploration expenditures of $2,000,000, issuing 650,000 common shares and making cash payments totalling $260,000. During the year ended October 31, 2009, the Company earned an additional 25% interest in the property the Company by issuing an additional 2,000,000 common shares with a fair value of $320,000. Mineral Creek Ventures Inc. retains a 0.5% net smelter returns royalty and Boliden Westmin retains a 3% net smelter returns royalty. In addition, the Company owns a 100% interest in four adjoining mineral claims.

During the year ended October 31, 2009, the Company incurred acquisition and exploration expenditures of $1,772,623 (2008 - $1,326,150) relating to the Mineral Creek property, received and/or accrued BC METC of $27,285 (2008 - $204,630) and received $34,714 (2008 – nil) from the sale of gold. During the year the Company received nil (2008 - $25,000) from Mineral Creek Ventures Inc. for recoveries of exploration expenditures.

(d) North Brenda Property, B.C., Canada

The Company owns a 100% interest in the North Brenda molybdenum/copper/gold property in south western British Columbia. In order to earn this interest, the Company paid $10,000, completed $50,000 of exploration expenditures and issued 507,142 common shares at a value of $128,000 within a two year period. The vendors retain a 2% net smelter returns royalty, of which the Company can purchase half by paying $1,000,000.

During the year ended October 31, 2009, the Company incurred acquisition and exploration expenditures of $161,710 (2008 - $353,323) relating to the North Brenda property and received and/or accrued BC METC of $332,506 (2008 - $58,569).

(e) SPN Property, B.C., Canada

On December 29, 2006, the Company entered into an agreement to acquire a 100% interest in the SPN claims, which are located approximately 20 kilometres southeast of Barriere, B.C. In order to earn this interest, the Company paid $10,000 and issued 150,000 common shares within a two year period. Prior to the third anniversary, the Company is required to issue common shares with a value of $50,000. Subsequent to year end, the Company issued 434,783 common shares in the Company as final payment to obtain 100% interest (Note 17 (iii)). The vendor retains a 2% net smelter return royalty, of which the Company can purchase half by paying $1,000,000.

During the year ended October 31, 2009, the Company incurred acquisition and exploration expenditures of $42,323 (2008 - $304,081) and received and/or accrued BC METC of $130,312 (2008 – nil).

(Expressed in Canadian Dollars)

3. Resource Properties (Continued)

(f) Big Southeaster Property, B.C., Canada

The Company owns a 100% interest in the Big Southeaster property which adjoins the south side of the Mineral Creek property. In order to earn this interest, the Company paid $10,000, completed $50,000 of exploration expenditures and issued 478,947 common shares within a three year period. The vendors retain a 2% net smelter return royalty, of which the Company can purchase half by paying $1,000,000.

During the year ended October 31, 2009, the Company incurred acquisition and exploration expenditures of $59,212 (2008 - $478,962) and received and/or accrued BC METC of nil (2008 - $792).

4. Equipment

		2009		2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	$	$	$	$
Computer hardware	9,396	8,488	908	1,297
Field equipment	20,095	16,372	3,723	6,705
Furniture and fixtures	8,350	3,769	4,581	5,726
Leasehold improvements	5,655	5,421	234	292
	43,496	34,050	9,446	14,020

5. Asset Retirement Obligation

The Company's obligations with respect to asset retirement relate to reclamation of the Mineral Creek Property site on which project operations are situated. The obligation is recognized in the period in which the obligation is created based on the estimated future reclamation costs using a credit-adjusted risk-free rate of 10 percent and estimated inflation of 1.92 percent annually. The total undiscounted future obligation is $53,315. The Company estimates its obligations to be settled over approximately the next 10 years.

	2009
	$
Balance, Beginning of Year	–
Liability incurred during year	20,555
Accretion expense	2,056
Balance, End of Year	22,611

(Expressed in Canadian Dollars)

6. Share Capital

(a) Authorized Share Capital

The authorized share capital consists of 100,000,000 common shares without par value.

(b) Common Shares Issued and Outstanding

	Number Of Shares	Amount
		$
Balance - October 31, 2007	52,927,955	17,107,923
Issued for cash		
Exercise of stock options	135,000	49,115
Pursuant to private placements	5,097,000	1,804,950
Exercise of warrants	135,000	67,500
Resource property option payments	250,000	76,000
Mineral claim payments	50,000	16,500
Share issue costs	-	(155,175)
Future income taxes on expenditures renounced to shareholders	-	(499,282)
Balance - October 31, 2008	58,594,955	18,467,531
Issued for cash		
Exercise of broker options	60,000	10,388
Pursuant to private placements	7,907,000	1,013,150
Resource property option payments	2,870,089	448,440
Share issue costs	-	(109,664)
Future income taxes on expenditures renounced to shareholders	-	(779,951)
Balance - October 31, 2009	69,432,044	19,049,894

Flow through shares - Of the shares issued during fiscal 2009, 7,907,000 were issued on a flow through basis whereby the Company must spend $1,013,150 on Canadian exploration expenditures ("CEE") and renounce these expenditures to shareholders over two years.

Of the shares issued during fiscal 2008, 5,097,000 were issued on a flow through basis whereby the Company was required to spend $1,783,950 on CEE and renounce these expenditures to the shareholders over two years. All required expenditures and renunciations were made during fiscal 2009.

6. **Share Capital** (Continued)

(b) Common Shares Issued and Outstanding (Continued)

During the year ended October 31, 2009, the Company issued common shares pursuant to the following:

(i) On November 4, 2008, the Company issued 1,080,000 flow-through common shares priced at $0.12 per share for gross proceeds of $129,600. 64,800 non-transferable broker warrants to purchase common shares at $0.12 per share, expiring November 3, 2010, were issued in conjunction with the private placement. The fair value of the broker warrants under the Black-Scholes option-pricing model was $5,856 and was recorded as a share issue cost.

(ii) On December 2, 2008, the Company issued 3,500,000 flow-through common shares priced at $0.12 per share for gross proceeds of $420,000. 210,000 non-transferable broker warrants to purchase common shares at $0.12 per share, expiring December 3, 2010, were issued in conjunction with the private placement. The fair value of the broker warrants under the Black-Scholes option-pricing model was $14,122 and was recorded as a share issue cost.

(iii) On December 17, 2008, the Company issued 2,040,000 flow-through common shares priced at $0.12 per share for gross proceeds of $244,800. 120,000 non-transferable broker warrants to purchase common shares at $0.12 per share, expiring December 16, 2010, were issued in conjunction with the private placement. The fair value of the broker warrants under the Black-Scholes option-pricing model was $9,317 and was recorded as a share issue cost.

(iv) On July 27, 2009, the Company issued 1,287,000 flow-through common shares priced at $0.17 per share for gross proceeds of $218,750. 54,000 non-transferable broker warrants to purchase common shares at $0.17 per share, expiring July 26, 2010, were issued in conjunction with the private placement. The fair value of the broker warrants under the Black-Scholes option-pricing model was $4,558 and was recorded as a share issue cost.

(v) On May 15, 2009, the Company issued 2,000,000 common shares to Mineral Creek Ventures Inc. to increase the Company's interest in the Mineral Creek property from 75 percent to 100 percent. The fair value of the shares of $320,000, determined using the market price on the measurement date, was capitalized to the Mineral Creek property as an acquisition expenditure.

(vi) Throughout the year the Company issued an additional 870,089 common shares to various vendors in accordance with the Company's resource property option agreements. The fair value of the shares was $128,440 and was capitalized to the resource properties as acquisition expenditures.

During the year ended October 31, 2008, the Company issued common shares pursuant to the following:

On March 14, 2008, the Company issued 5,097,000 flow-through common shares priced at $0.35 per share. Finder's fees of $84,000 plus 240,000 non-transferable broker warrants to purchase common shares at $0.35, expiring March 14, 2010, were paid in conjunction with the private placement. The fair value of the broker warrants under the Black-Scholes model was $35,265 and was recorded as a share issue cost.

(Expressed in Canadian Dollars)

6. Share Capital (Continued)

(b) Common Shares Issued and Outstanding (Continued)

The following weighted average assumptions were used for the Black-Scholes valuation of broker warrants:

	2009	**2008**
Volatility	122%	63%
Risk-free interest rate	1.55%	2.43%
Dividend yield	-	-
Expected life	1.88 years	2 years

(c) Warrants

Warrant transactions are summarized as follows:

	Number Of Warrants	**Weighted Average Exercise Price**
		$
Balance - October 31, 2007	4,484,712	0.66
Issued	240,000	0.35
Exercised	(135,000)	0.50
Expired	(123,998)	0.75
Balance - October 31, 2008	4,465,714	0.65
Issued	448,800	0.13
Exercised	(60,000)	0.12
Expired	(4,225,714)	0.66
Balance - October 31, 2009	628,800	0.21

The following share purchase warrants were outstanding at October 31, 2009:

Number Of Warrants	**Exercise Price**	**Expiry Date**
	$	
240,000	0.35	March 14, 2010
54,000	0.17	July 31, 2010
64,800	0.12	November 3, 2010
210,000	0.12	December 3, 2010
60,000	0.12	December 18, 2010
628,800		

(Expressed in Canadian Dollars)

7. Contributed Surplus

The Company's contributed surplus is comprised of the following:

	2009	2008
	$	$
Balance, Beginning Of Year	2,641,647	2,236,730
Stock-based compensation	253,114	431,682
Stock options and broker warrants exercised	(3,188)	(26,765)
Balance, End Of Year	2,891,573	2,641,647

8. Stock Option Plan and Stock-Based Compensation

The Company, in accordance with the policies of the TSX Venture Exchange, has a stock option plan in place under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common shares. Under the plan, 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 five years.

Pursuant to the option plan, options granted in respect of investor relations activities are subject to vesting restrictions such that one-quarter of the options vest three months from the date of grant and in each subsequent three-month period thereafter such that the entire option will have vested twelve months after the award date. Vesting restrictions may also be applied to certain other options grants, at the discretion of the directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number Of Options	Weighted Average Exercise Price
		$
Balance - October 31, 2007	4,715,000	0.53
Options granted	1,029,500	0.52
Options exercised	(135,000)	0.17
Options expired	(45,000)	0.62
Balance - October 31, 2008	5,564,500	0.54
Options granted	1,990,000	0.15
Options expired	(1,310,000)	0.56
Balance - October 31, 2009	6,244,500	0.41

(Expressed in Canadian Dollars)

8. Stock Option Plan and Stock-Based Compensation (Continued)

The following stock options were outstanding and exercisable at October 31, 2009:

	Options Outstanding			Options Exercisable	
Range Of Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life *years*	Weighted Average Exercise Price $	Vested Options	Weighted Average Exercise Price $
0.00 – 0.24	1,990,000	4.55	0.15	1,915,000	0.15
0.25 – 0.49	1,659,500	2.34	0.36	1,659,500	0.36
0.50 – 0.74	2,050,000	1.77	0.61	2,050,000	0.61
0.75 – 0.99	545,000	3.43	0.80	545,000	0.80
	6,244,500	2.95	0.41	6,169,500	0.41

The weighted average fair value of each stock option granted during the year was $253,115 (2008 - $395,036), calculated using the Black-Scholes option-pricing model on the date of grant using the following weighted average assumptions:

	2009	**2008**
Expected stock price volatility	103%	99%
Risk-free interest rate	2.46%	3.32%
Expected dividend yield	-	-
Expected life of options	5 years	5 years

Total compensation expense recognized for stock options granted during the year was $221,199 (2008 - $396,417). Stock-based compensation of $8,456 (2008 - $44,919) was capitalized to resource properties for options granted to field consultants and $212,743 (2008 - $351,498) was expensed to operations for options granted to directors and employees of the Company. The Company also recorded a share issuance cost of $33,853 (2008 - $35,265) in respect of broker warrants issued, as described in Note 6(b).

(Expressed in Canadian Dollars)

9. Supplemental Cash Flow Information

	2009	2008
	$	$
Cash paid during the year for interest	-	-
Cash paid during the year for income taxes	-	-

During the year ended October 31, 2009, the Company issued 2,870,089 (2008 – 250,000) shares in respect of option payments for resource properties, with a fair value of $448,440 (2008 - $76,000). The Company issued nil (2008 – 50,000) shares in respect of a mineral claim payment, with a fair value of $nil (2008 - $16,500).

10. Related Party Transactions

The following is a summary of related party transactions and balances for the years ended October 31, 2009 and 2008, not disclosed elsewhere in the financial statements:

(a) Management fees of $96,000 (2008 - $96,000) were incurred from a company controlled by a director in common. These fees were recorded at their exchange amount, which is the amount agreed upon by the transacting parties on terms and conditions similar to non-related entities.

(b) Accounts payable at October 31, 2009 includes $nil (2008 - $2,485) due to a company controlled by a director in common.

(c) Stock-based compensation includes stock options granted to directors recorded at a fair value of $184,981 (2008 - $306,480).

11. Income Taxes

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2009	2008
Canadian statutory income tax rate	30.00%	31.60%
	$	$
Income tax recovery at statutory rate	175,400	236,174
Non-deductible items and timing differences for tax purposes:		
Stock-based compensation expense	(63,823)	(111,073)
Resource properties	307,276	(23,627)
Accretion expense	(617)	-
Expiry of losses	(31,083)	(33,528)
Share issuance costs	23,325	37,891
Rate change from prior year to current year	(56,314)	174,916
Other	-	(261,236)
Difference between current and future rate	70,957	82,181
Income Tax recovery	425,121	101,698

(Expressed in Canadian Dollars)

11. Income Taxes (Continued)

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

	2009	2008
	$	$
Net operating loss carry-forwards	549,329	450,223
Capital loss carry-forwards	30,678	30,678
Resource properties	(1,801,570)	(1,360,732)
Equipment	9,739	9,470
Share issuance costs	66,245	79,612
Net future income tax liability	(1,145,579)	(790,749)

The Company has approximately $2,197,000 of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	$
2010	114,000
2014	179,000
2015	242,000
2026	273,000
2027	414,000
2028	475,000
2029	500,000
	2,197,000

12. Segmented Information

(a) Industry Information

The Company operates in one reportable operating segment, being the acquisition and exploration of resource properties.

(b) Geographic Information

The Company operates in both Canada and the U.S.A. The Company's resource properties and equipment in geographic locations are as follows:

	2009	2008
	$	$
Canada	11,781,401	10,667,064
U.S.A.	3,318,713	3,234,388
	15,100,114	13,901,452

(Expressed in Canadian Dollars)

13. Financial Instruments

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held for trading, held-to-maturity investments, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

	2009	2008
	$	$
Held for trading (i)	758,215	381,957
Loans and receivables (ii)	525,772	1,275,284
Other financial liabilities (iii)	182,435	401,143

(i) Cash and cash equivalents
(ii) Receivables
(iii) Accounts payable and accrued liabilities

The estimated fair values of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their respective carrying values due to their nature and short terms to maturity.

14. Management of Capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties. The Company considers as its capital its shareholders' equity.

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of certain of its assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing and industry conditions. Annual and materially updated budgets are approved by the Board of Directors.

There are no external restrictions on management of capital.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments. When utilized, these instruments are selected with regard to the expected timing of expenditures from continuing operations. The Company currently has sufficient capital resources to meet its planned operations and administrative overhead expenses for the next twelve months. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.

15. Financial Instruments and Risks

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) 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 maintains sufficient cash and cash equivalents balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash and cash equivalents consist of cash deposited in business accounts and redeemable guaranteed investment certificates held by high credit quality financial institutions. The Company is not invested in any asset backed commercial paper.

(b) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents, receivables and reclamation deposits. The Company limits exposure to credit risk by maintaining its cash and cash equivalents and reclamation deposits with high-credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The receivables balance consists of amounts owed from Cameco for reimbursement of mineral exploration expenditures, government investment tax credits, GST recoverable and interest receivable. There is ongoing review to evaluate the credit worthiness of these counterparties. The Company’s maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents, receivables and reclamation deposits.

(c) Currency Risk

The Company's operations are in Canada and the United States. The international nature of the Company's operations results in foreign exchange risk when transactions are denominated in foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. A strengthening (weakening) of the Canadian dollar against the US dollar of 10% would not have a significant effect on net loss.

(d) Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash and cash equivalents as they are generally held with large financial institutions.

16. Commitments

The Company is required to make certain cash payments and to issue shares to maintain its resource properties, as described in Note 3.

17. Subsequent Events

(a) On December 14, 2009, the Company issued 5,901,666 flow-through common shares of the Company priced at $0.12 per share for gross proceeds of $708,200. 250,000 non-transferable broker warrants to purchase common shares of the Company at $0.12 per share, expiring June 14, 2011, were issued in conjunction with the private placement. Both the shares and broker warrants are subject to a hold period expiring April 11, 2010.

(b) On December 21, 2009, the Company granted incentive stock options to acquire 755,000 common shares of the Company at $0.12 per share, expiring December 20, 2014 to directors, employees and consultants.

(c) On January 13, 2010, the Company earned its 100% interest in the SPN claims described in Note 3(e) by issuing 434,783 common shares in the Company.