

FINLAY MINERALS LTD.

Financial Statements

December 31, 2009

and

December 31, 2008

AUDITORS' REPORT

To the Shareholders of Finlay Minerals Ltd.

We have audited the balance sheets of Finlay Minerals Ltd. as at December 31, 2009 and 2008 and the statements of operations, comprehensive income 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 its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"De Visser Gray LLP"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
April 27, 2010

FINLAY MINERALS LTD.Balance Sheets
As at December 31,2009
\$2008
\$**ASSETS****Current assets**

Cash and short-term deposits	109,777	79,288
GST receivable	1,719	2,993
	<u>111,496</u>	<u>82,281</u>
Reclamation deposits	57,200	57,200
Mineral property costs (note 4)	5,903,381	5,885,644
	<u>6,072,077</u>	<u>6,025,125</u>

LIABILITIES**Current liabilities**

Accounts payable and accrued liabilities	11,651	20,307
Due to related parties (note 5)	9,668	26,246
	<u>21,319</u>	<u>46,553</u>
Future income taxes (note 8)	1,094,016	1,249,219
	<u>1,115,335</u>	<u>1,295,772</u>

SHAREHOLDERS' EQUITY

Share capital (note 7(a))	4,895,035	4,703,884
Obligation to issue shares (note 7(e))	-	70,000
Contributed surplus (note 7(a))	467,590	445,740
Deficit	(405,883)	(490,271)
	<u>4,956,742</u>	<u>4,729,353</u>
	<u>6,072,077</u>	<u>6,025,125</u>

Nature and continuance of operations (Note 1)

Approved by the Board of Directors:

"Robert Brown"

Director

"John Barakso"

Director

See notes to the financial statements

FINLAY MINERALS LTD.
Statements of Operations, Comprehensive Income and Deficit
For the Years Ended December 31,

	2009	2008
	\$	\$
Expenses		
Consulting	-	13,418
Filing and transfer agent	12,786	15,255
Interest and bank charges	329	3,840
Interest income	(1,620)	(6,249)
Office and miscellaneous	3,300	6,889
Professional fees	18,028	30,817
Rent	10,334	9,427
Shareholder communication	833	849
Stock-based compensation	21,850	-
Travel	4,975	9,606
	<u> </u>	<u> </u>
Net loss and comprehensive loss for the year before tax	(70,815)	(83,852)
Future income tax recovery	<u>155,203</u>	<u>371,223</u>
	<u> </u>	<u> </u>
Net income and comprehensive income for the year	84,388	287,371
Deficit - beginning of year	<u>(490,271)</u>	<u>(777,642)</u>
Deficit - end of year	<u><u>(405,883)</u></u>	<u><u>(490,271)</u></u>
	<u> </u>	<u> </u>
Basic and diluted earnings per share	<u>\$ 0.01</u>	<u>\$ 0.01</u>
	<u> </u>	<u> </u>
Basic and diluted weighted-average number of common shares outstanding	<u>39,799,469</u>	<u>37,655,907</u>
	<u> </u>	<u> </u>

See notes to the financial statements

FINLAY MINERALS LTD.
 Statements of Cash Flows
 For the Years Ended December 31,

	2009	2008
	\$	\$
Cash Provided by (Used for):		
Operating Activities		
Net income and comprehensive income for the year	84,388	287,371
Adjustment for items not affecting cash:		
Future income tax recovery	(155,203)	(371,223)
Stock-based compensation	21,850	-
	(48,965)	(83,852)
Changes in non-cash working capital components:		
GST receivable	1,274	35,142
Prepaid expenses	-	4,164
Accounts payable and accrued liabilities	(9,341)	8,477
Due to related parties	(6,265)	11,891
	(63,297)	(24,178)
Investing Activity		
Mineral property costs	(27,365)	(107,927)
Financing Activities		
Cash from shares issued	133,750	-
Cash from shares to be issued	-	70,000
Share issue costs	(12,599)	-
	121,151	70,000
Net cash provided (used) during the year	30,489	(62,105)
Cash and short-term deposits - beginning of year	79,288	141,393
Cash and short-term deposits - end of year	109,777	79,288

Supplemental cash flow information:

During the current year the Company received interest of \$1,620 (2008 - \$6,249). The Company has excluded from its investing cash flows \$4,727 (2008 - \$14,355) in accounts payable and due to or from related parties relating to mineral property costs.

FINLAY MINERALS LTD.
Statement of Mineral Property Costs
For the Years Ended December 31,

	2007	Expenditures	2008	Expenditures	2009
	\$	\$	\$	\$	\$
BRITISH COLUMBIA					
Atty and Pil Claims					
Acquisition	73,220	-	73,220	-	73,220
Assay, IP and linecutting	528,106	408	528,514	-	528,514
Camp accommodation and travel	1,020,059	-	1,020,059	-	1,020,059
Drilling	1,466,687	-	1,466,687	-	1,466,687
Equipment rental	129,613	-	129,613	-	129,613
Field office	115,318	931	116,249	2,160	118,409
Geological and geophysical	1,444,246	5,808	1,450,054	-	1,450,054
Road construction	392,273	-	392,273	-	392,273
	<u>5,169,522</u>	<u>7,147</u>	<u>5,176,669</u>	<u>2,160</u>	<u>5,178,829</u>
Silver Hope Claims					
Acquisition	173,928	2,406	176,334	4,018	180,352
Assay, IP and linecutting	72,528	82,653	155,181	6,617	161,798
Camp accommodation and travel	15,236	2,884	18,120	2,641	20,761
Drilling	230,428	-	230,428	-	230,428
Equipment rental	3,233	-	3,233	-	3,233
Field office	-	-	-	811	811
Geological and geophysical	80,998	25,805	106,803	1,490	108,293
Road construction	18,876	-	18,876	-	18,876
	<u>595,227</u>	<u>113,748</u>	<u>708,975</u>	<u>15,577</u>	<u>724,552</u>
Total Deferred Mineral Property Costs	<u><u>5,764,749</u></u>	<u><u>120,895</u></u>	<u><u>5,885,644</u></u>	<u><u>17,737</u></u>	<u><u>5,903,381</u></u>

See notes to the financial statements

FINLAY MINERALS LTD.
Notes to the Financial Statements
December 31, 2009 and 2008

1. **NATURE AND CONTINUANCE OF OPERATIONS**

The Company was incorporated under the Business Corporations Act (British Columbia) and its principal business activity is the acquisition and exploration of resource properties. At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties and the ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property. These activities are conducted primarily in British Columbia, Canada.

These financial statements have been prepared assuming the Company will continue on a going-concern basis, or that it will continue to realize its assets and meet its obligations in the normal course of business. The Company has incurred losses since inception and has an accumulated operating deficit of \$405,883 at December 31, 2009 (2008 - \$490,271). The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate equity financing to fund its exploration and administrative expenses. The statements contain no adjustments which would likely become necessary should the Company become unable to continue as a going concern.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Summarized below are those policies considered particularly significant to the Company.

Use of Estimates

The presentation of financial statements in conformity with Canadian GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and related notes. Management regularly reviews the estimates and assumptions that affect the consolidated financial statements, although actual results may be materially different from these estimates and assumptions. Areas where significant estimates and assumptions are required by management include the determination of impairment for capitalized mineral property expenditures and the variables for use in calculating stock-based compensation.

Mineral Property Costs

The cost of mineral properties and their related direct exploration costs are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized on the unit-of-production basis over the estimated useful life of the properties following the commencement of production, or written-off if the properties are sold, allowed to lapse or abandoned.

Cost includes any cash consideration and the fair market value of shares issued on the acquisition of property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews capitalized costs on its property interests on a periodic basis and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Administrative costs are expensed as incurred.

Cost of Maintaining Mineral Properties

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial Instruments and Financial Risk

The Company's financial instruments, at December 31, 2009, consist of cash and short-term deposits, accounts payable and accrued liabilities and due to related parties. Cash and short-term deposits have been classified as available for sale, the carrying values of which approximate their fair values due to their short term nature. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, measured at amortized cost using the effective interest rate method, however due to their short term nature, their carrying amounts approximate fair value.

Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares. Shares issued as property option payments are valued at their fair market value on the date of issuance.

Flow-through Shares

The Company has issued common shares as flow-through shares, whereby the investor may claim the tax deductions arising from the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and shareholders' equity is reduced.

Previously, unrecognized future tax assets may be used to reduce this liability amount, and the Company will recognize a future income tax recovery to this extent.

Stock-based Compensation

The Company records compensation associated with stock options granted using a fair value measurement basis and records the expense when the options vest with the recipients.

The proceeds received by the Company on the exercise of options are credited to share capital and the related contributed surplus, originally recognized when the options were granted, is transferred to share capital.

Future Income Taxes

The Company accounts for the tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

Environmental Expenditures

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their expected future economic benefit. Estimated future removal and site restoration costs are recognized when the ultimate liability is reasonably determinable, and are charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized on an undiscounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation. As at December 31, 2009, the Company does not have any asset retirement obligations.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant, when the carrying amounts of the assets exceeds its estimated undiscounted net cash flow from use or its fair value, at which time the impairment is charged to earnings.

Earnings/Loss Per Share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Basic earnings/loss per share is calculated using the weighted-average number of common shares outstanding during the year.

3. **CHANGES IN ACCOUNTING POLICIES**

Adoption of New Accounting Standards

Assessing Going Concern

Effective January 1, 2009, the Company adopted new Canadian Institute of Chartered Accountants (“CICA”) Handbook section 1400 which was amended to include requirements for management to assess and disclose an entity’s ability to continue as a going concern. The Company has included the required disclosures recommended by section 1400 in Note 1 of these financial statements.

Financial Instruments - Disclosure and Presentation

In May 2009, the CICA amended Section 3862, Financial Instruments - Disclosure to include additional disclosure requirements about fair market value measurements for financial statements and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The Company has included disclosures recommended by sections 3862 and 3863 in Note 9 of these financial statements.

Deferred exploration costs

On March 27, 2009, the Emerging Issues Committee issued EIC-174 Mining Exploration Costs. This EIC provides additional guidance in light of the potential adverse impact of the current economic and financial turmoil on the carrying value of the deferred exploration costs. The EIC is effective for financial statements issued on or after the date of the EIC. Management applied a market approach in its review using data relating to forward prices, ongoing feasibility studies and management’s assessment of the Company’s ability to fund ongoing exploration. In management’s estimation there has been no impairment to its mineral assets upon the adoption of the new standard.

Goodwill and intangible assets

On January 1, 2009, the Corporation adopted CICA Handbooks section 3064 “Goodwill and intangible Assets”, which replaced CICA Handbooks section 3062 “Goodwill and Other Intangible Assets” as well as CICA Handbook section 3450 “Research and Development”. This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Adoption of this new standard did not have a material impact on the Corporation’s financial statements and disclosures.

Future Accounting Changes

CICA Sections 1582, 1601, 1602 Business Combinations, Consolidations, and Non-Controlling Interests

In January 2009, the AcSB issued the following Handbook sections: 1582 - Business Combinations, 1601 - Consolidations, and 1602 - Non-Controlling Interests. These new Sections will be applicable to financial statements relating to the Company’s interim and fiscal year end beginning on or after January 1, 2011. Early adoption is permitted. The Company does not expect that there will be any material impact upon its adoption of these new sections on its consolidated financial statements.

4. **CHANGES IN ACCOUNTING POLICIES** *(continued)*

New Canadian Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

In February 2008 the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own generally accepted accounting principles. The specific implementation is set 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 restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. 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.

4. **MINERAL PROPERTY COSTS**

**Omineca Mining Division
British Columbia**

Atty and Pil Claims

The Company has a 100% interest in these mineral claim units, 376 of which were acquired from a private company controlled by a director of the Company, in consideration for the issuance to that private company of six million common shares (post subdivision) and a 3% Net Smelter Returns (“NSR”) royalty. The Company is also obligated to issue a further two million shares to this private company when the property is put into commercial production and may also, prior to that date, purchase a 1½ % NSR (½ of the 3% NSR) for two million dollars.

Silver Hope Claims

The Company acquired a 100% interest in 37 mineral claims, subject to a 1½% NSR, during 2006 by the issue of two million common shares. One half of the NSR (3/4 %) is purchasable prior to a production decision for one million dollars.

5. **DUE TO RELATED PARTIES**

As at December 31, 2009, \$9,668 (2008 - \$26,246) is due to a director’s private company. The amount is unsecured, does not bear interest and has no fixed terms of repayment.

6. **RELATED PARTY TRANSACTIONS**

Directors and private companies controlled by directors are paid consulting fees at the rate of \$300-\$600 per day. During the current year, the Company incurred with these related parties \$8,060 (2008 - \$32,395) for property exploration costs and \$nil (2008 - \$13,178) for consulting. The Company’s solicitor is a director of the Company and charged \$19,677 (2008 - \$9,517) in legal and share issue costs.

All related party transactions were in the normal course of operations and are measured at fair value as determined by management.

7. **SHARE CAPITAL**

- a) Authorized share capital consists of:
- Unlimited number of common shares without par value.
 - 100,000,000 Class A preference shares
 - 100,000,000 Class B preference shares

7. **SHARE CAPITAL** (continued)

Common Shares Issued

	Number of Shares	Total Value	Contributed Surplus
		\$	\$
Balance at December 31, 2007	37,655,907	5,012,536	445,740
Future income tax recovery (Note 8)	-	(308,652)	-
Balance at December 31, 2008	37,655,907	4,703,884	445,740
Private placement	4,075,000	191,151 ⁽¹⁾	-
Fair value of options granted	-	-	21,850
Balance at December 31, 2009	<u>41,730,907</u>	<u>4,895,035</u>	<u>467,590</u>

(1) Net of share issue costs of \$12,599.

b) Stock-based compensation and share purchase options

The Company recorded stock-based compensation expense for stock-options granted in the year ended December 31, 2009 of \$21,850, which amount was expensed and offset to contributed surplus.

The fair value of stock options granted during the current year was estimated using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate - 2.46%; expected life of 5 years; expected stock price volatility of 199.37%; and no expectation for the payment of dividends. The fair value per option granted in 2009 was \$0.019.

The continuity of share purchase options is as follows:

	2009		2008	
	Number of Shares	Weighted Price \$	Number of Shares	Weighted Price \$
Opening balance	1,525,000	0.23	2,050,000	0.26
Granted during the year	1,150,000	0.10	-	-
Expired during the year	(200,000)	0.375	(525,000)	0.35
Closing balance	<u>2,475,000</u>	0.16	<u>1,525,000</u>	0.23
Weighted remaining life in years		3.30		2.88
Range of exercise prices		0.10-0.22		0.20-0.375

c) Share purchase warrants

The continuity of share purchase warrants is as follows:

	2009		2008	
	Number of Shares	Weighted Price \$	Number of Shares	Weighted Price \$
Opening balance	4,347,824	0.50	4,347,824	0.50
Issued during the year	4,075,000	0.10	-	-
Expired during the year	(4,347,824)	0.35	-	-
Closing balance	<u>4,075,000</u>	0.10	<u>4,347,824</u>	0.50
Weighted remaining life in years		4.48		0.28
Range of exercise prices		0.10		

7. **SHARE CAPITAL** (continued)

d) Agent options

The continuity of agent options is as follows:

	2009		2008	
	Number of Units	Weighted Price \$	Number of Units	Weighted Price \$
Opening balance	347,826	0.20	347,826	0.20
Expired during the year	(347,826)	0.20	-	-
Closing balance	<u>-</u>	-	<u>347,826</u>	0.20
Weighted remaining life in years		-		0.28
Range of exercise prices		-		0.20

e) Obligation to issue shares

The Company received \$70,000 to December 31, 2008 under a private placement of 4,075,000 units at \$0.05 per unit, each unit comprising one common share and one warrant exercisable into one common share at \$0.10 per share for two years. The private placement was completed and issued during the current year.

8. **INCOME TAXES**

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

	2009	2008
	\$	\$
Net loss for the year before tax recovery	<u>(70,815)</u>	<u>(83,852)</u>
Expected income tax recovery	(21,244)	(25,994)
Net adjustment for deductible and non-deductible amounts	(2,486)	(14,040)
Net change in valuation allowance	(131,473)	(22,537)
Tax assets recognized on flow-through renunciation	-	(308,652)
Total income tax recovery	<u>(155,203)</u>	<u>(371,223)</u>

The significant components of the Company's future income tax liabilities are as follows:

	2009	2008
	\$	\$
Future income tax liabilities:		
Mineral property carrying amounts in excess of tax pools	(1,364,552)	(1,555,589)
Non-capital loss carryforwards	<u>270,536</u>	<u>306,370</u>
Net future tax liabilities	<u>(1,094,016)</u>	<u>(1,249,219)</u>

8. **INCOME TAXES** (continued)

Subject to certain restrictions, the Company has mineral property expenditures at December 31, 2009 of approximately \$445,000 (2008 - \$427,000) available to reduce taxable income in future years. The Company also has non-capital losses available for deduction against future year's taxable income amounting to \$1,082,000 (2008 - \$1,075,000). The Company has not recognized any future benefit for these tax losses and resource deductions, as it is not considered likely that they will be utilized. If unused, these tax losses will expire as follows:

2010	\$	115,000
2014		184,000
2015		156,000
2026		243,000
2027		173,000
2028		132,000
2029		79,000
	\$	<u>1,082,000</u>

9. **FINANCIAL INSTRUMENT RISKS**

The Company's financial instruments are exposed to the following risks:

Credit Risk

The Company's primary exposure to credit risk is the risk of illiquidity of cash and short-term deposits, amounting to \$109,777 at December 31, 2009. As the Company's policy is to limit cash holdings and short-term deposits to instruments issued by major Canadian banks, or investments of equivalent or better quality, the credit risk is considered by management to be negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's only liquidity risk from financial instruments is its need to meet operating accounts payable requirements. The Company has maintained sufficient cash balances to meet these needs at December 31, 2009.

Foreign Exchange Risk

The Company has virtually no foreign exchange risk as all its activities are carried out in Canada and all its financial assets and liabilities are denominated in Canadian dollars.

Interest Rate Risk

The Company has been exposed to interest rate risk on its cash and short-term deposits. The majority of these deposits have been in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases. Unrealized gains and losses are reported in other comprehensive income.

At December 31, 2009, the Company maintained all of its cash balance on deposit in a chequing account with a major Canadian bank.

Price Risk

The Company is not exposed to price risk.

9. **FINANCIAL INSTRUMENT RISKS** (continued)

Fair Value of Financial Instruments

During 2009, CICA handbook section 3862 “Financial Instruments - Disclosures” was amended to require enhanced disclosure of financial instrument fair value measurements and liquidity risks. Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data

The carrying values, fair market values, and fair value hierarchal classification of the Company’s financial instruments as at December 31, 2009 are as follows:

For the year ended December 31, 2009

	Level 1	Level 2	Level 3
Cash and short-term deposits	\$ 109,777	-	-
	\$ 109,777	-	-

Cash and short-term deposits as shown in the balance sheet as at December 31, 2009 and 2008, is measured using level 1.

During the years ended December 31, 2009 and 2008, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

10. **CAPITAL MANAGEMENT**

The Company’s objectives for the management of capital are to safeguard its ability to continue as a going concern including the preservation of capital, and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its cash and short-term deposits to be its manageable capital. The Company’s policy is to maintain sufficient cash and deposit balances to cover operating and exploration costs over a reasonable future period, generally one to one and a half years. The Company accesses capital markets through equity issues as necessary and may also acquire additional funds where advantageous circumstances arise.

Excess cash deposits are restricted to guaranteed investment certificates of major banks or instruments of equivalent or better quality. No investments in asset-backed commercial paper are permitted.

The Company currently has no externally-imposed capital requirements except to maintain sufficient cash and deposit balances to meet exploration commitments entered into pursuant to flow-through share purchase agreements.

11. **SUBSEQUENT EVENT**

The Company announced a non-brokered private placement of 3 million units at a price of \$0.10 per unit, each unit comprised of one common share and one-half of a share purchase warrant with a term of 24 months and an exercise price of \$0.20 per share for each whole warrant. Finder’s fees may be paid on portions of the private placement.