

Interim Consolidated Financial Statements
(Unaudited)
(Stated in Canadian Dollars)



March 31, 2010

NOTICE TO SHAREHOLDERS
FOR THE THREE MONTHS ENDED MARCH 31, 2010
MEGA PRECIOUS METALS INC.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Mega Precious Metals Inc. (A Development Stage Company) were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2009 audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.



(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at March 31, 2010
(with comparative figures as at December 31, 2009)
(Stated in Canadian Dollars)

	2010 \$	2009 \$
ASSETS		
Current		
Cash and cash equivalents <i>[note 4]</i>	8,297,162	10,387,322
Investments <i>[note 5]</i>	2,214,300	1,755,000
Accounts receivable	198,943	239,149
Prepays and deposits	91,170	101,984
Total current assets	10,801,575	12,483,455
Property, plant and equipment <i>[note 7]</i>	94,790	102,477
Mineral properties <i>[note 8]</i>	13,163,035	12,216,952
	24,059,400	24,802,884
LIABILITIES		
Current		
Accounts payable and accrued liabilities	321,605	762,981
Taxes payable	8,107	6,489
Total current liabilities	347,230	792,989
Long term tax payable	17,518	23,519
Future tax liability	628,303	632,887
SHAREHOLDERS' EQUITY		
Share capital		
Issued		
Common shares <i>[note 9]</i>	38,178,723	39,652,053
Share purchase warrants <i>[note 10]</i>	5,373,845	5,493,236
Contributed surplus <i>[note 12]</i>	4,988,566	4,147,145
Obligation to issue shares <i>[note 15]</i>	169,260	603,260
Deficit	(25,626,527)	(26,518,686)
Total shareholders' equity	23,083,867	23,377,008
	24,059,400	24,802,884

Nature of Business and Going Concern *[note 1]*

Standby Letters of Credit *[note 6]*

Commitments *[note 15]*

See accompanying notes to consolidated financial statements

On behalf of the Board:

"Michael Sweatman"
Director

"James Rogers"
Director



CONSOLIDATED STATEMENTS OF OPERATIONS COMPREHENSIVE INCOME (LOSS), AND DEFICIT

(Unaudited)

For the three months ended March 31
(Stated in Canadian Dollars)

	2010	2009
	\$	\$
REVENUE		
Investment income	3,043	60,777
EXPENSES		
Amortization	7,687	6,788
Stock based compensation <i>[note 11]</i>	292,530	457,253
Flow-through interest penalty	24,649	10,584
General and administrative	299,110	170,663
Professional fees	15,662	82,745
	639,638	728,033
Loss before the following	(636,595)	(667,256)
Change in fair value of investments held for trading	79,300	-
Write-down of mineral properties <i>[note 8]</i>	(74,988)	-
General exploration	30,608	(17,721)
Loss before income taxes	(601,675)	(684,977)
Future tax recovery	(1,493,834)	(62,415)
Income (loss) and comprehensive income (loss) for period	892,159	(622,562)
Deficit, beginning of period	(26,518,686)	(24,079,507)
Deficit, end of period	(25,626,527)	(24,702,069)
Basic and diluted income (loss) per share <i>[note 13]</i>	0.02	(0.03)

See accompanying notes to consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

For the three months ended March 31

(Stated in Canadian Dollars)

	2010	2009
	\$	\$
OPERATING ACTIVITIES		
Income (loss) and comprehensive income (loss) for period	892,159	(622,562)
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash		
Amortization	7,687	6,788
Stock based compensation	292,530	457,253
Change in fair value of investments held for trading	(79,300)	-
Write-down of investments	74,988	-
Future tax recovery	(1,493,834)	-
	(305,770)	(158,521)
Net change in non-cash working capital balances related to operations	(371,056)	269,874
Cash provided by (used in) operating activities	(676,826)	111,353
INVESTMENT ACTIVITIES		
Mineral exploration and development expenditures, net	(1,040,834)	(7,960)
Purchase of property, plant and equipment	-	(3,181)
Proceeds from the sale (purchase) of investments, net	(380,000)	-
Cash used in investment activities	(1,420,834)	(11,141)
FINANCING ACTIVITIES		
Proceeds from the exercise of stock options	7,500	5,290
Cash provided by financing activities	7,500	5,290
Increase (decrease) in cash and cash equivalents during period	(2,090,160)	105,502
Cash and cash equivalents, beginning of period	10,387,322	199,064
Cash and cash equivalents, end of period	8,297,162	304,566

See accompanying notes to consolidated financial statements



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three months ended March 31, 2010
 (with comparative figures for the year ended December 31, 2009)
 (Stated in Canadian Dollars)

1. NATURE OF BUSINESS

Mega Precious Metals Inc. (the "Corporation" or "Mega") is a junior Canadian-based exploration and development company with exploration projects in Canada. The principal business of the Corporation is the acquisition, exploration and development of high value mineral properties. Mega is considered a development stage company, as defined by Accounting Guideline 11 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook.

The accompanying unaudited interim consolidated financial statements have been prepared on the basis of Canadian generally accepted accounting principles applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, the ability to realize assets and discharge liabilities in the normal course of business in the foreseeable future and the ability of the Corporation to raise additional capital. Specifically, the recovery of the Corporation's investment in mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition.

2. AGREEMENT WITH SKYBRIDGE DEVELOPMENT CORP.

On May 26, 2009, the Corporation announced that it acquired the net assets of Skybridge Development Corp. ("Skybridge") through an all share transaction (the "Transaction"). Under the terms of the Transaction, shareholders of Skybridge received one (1) Mega common share in exchange for each two and one-half (2.5) Skybridge common shares held. Based upon the number of Mega common shares and Skybridge common shares outstanding as at May 26, 2009 (on an undiluted basis), and upon completion of the Transaction, Mega issued an aggregate of 8,105,384 Mega common shares to Skybridge shareholders, representing approximately 23% of the 35,222,572 outstanding Mega common shares following the transaction. The Transaction was effected by way of a three-cornered amalgamation, whereby a wholly-owned subsidiary of Mega amalgamated with Skybridge. The common shares of Skybridge ceased trading on the TSX-V as of close of trading on May 26, 2009.

The purchase consideration totaling \$7,093,052, has been allocated as follows:

Cash	\$165,612
Accounts receivable	44,615
Prepays	24,173
Short term investments	75,000
Equipment	4,439
Mineral properties	8,671,730
Accounts payable	(90,826)
Future tax liability	(1,772,292)
<u>Long term tax payable</u>	<u>(29,399)</u>
<u>Total net assets</u>	<u>7,093,052</u>

Purchase consideration:

8,105,384 common shares issued	6,370,914
Obligation to issue shares (note 15)	722,138



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three months ended March 31, 2010
(with comparative figures for the year ended December 31, 2009)
(Stated in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of the Corporation have been prepared by management on the basis of the Corporation's continuance as a going-concern and follow the same accounting policies as the most recent annual audited financial statements except for the changes as noted below. The unaudited interim consolidated financial statement note disclosures do not include all of those required by Canadian generally accepted accounting principles applicable for audited annual consolidated financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the December 31, 2009 audited consolidated financial statements.

Mineral properties

The cost of mineral properties includes all direct exploration costs including administrative expenses and certain deferred costs that can be directly related to specific projects. Exploration and associated costs relating to non specific projects / properties are expensed in the period incurred. Significant property acquisition, exploration costs relating to specific properties for which economically recoverable reserves are believed to exist are deferred until the project to which they relate is sold, abandoned or placed into production. Costs related to properties abandoned are written-off when it is determined that the property has no continuing value. All of the Corporation's properties are in the exploration stage and have not yet attained commercial production. The ultimate realization of the carrying value of properties in the exploration stage is dependent upon the successful development or sale of these properties.

Basis of consolidation

These unaudited interim consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Skybridge Development Corp. All inter-company balances and transactions have been eliminated on consolidation.

RECENT ACCOUNTING PRONOUNCEMENTS

Business Combinations / Consolidated Financial Statements / Non-Controlling Interests

In January 2009, the CICA adopted sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests" which superseded current sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". It was announced that these sections would be applied prospective to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. These new sections were created to converge Canadian GAAP to IFRS. The Corporation has elected not to adopt these new sections prior to January 1, 2011.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January, 2009, the Emerging Issues Committee issued a new abstract concerning the measurement of financial assets and financial liabilities, EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." There had been diversity in practice as to whether an entity's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial instruments. The EIC reached a consensus that these risks should be taken into account in the measurement of financial assets and financial liabilities. EIC-173 was effective for all financial assets and financial liabilities measured at fair value in interim and annual financial statements issued for periods ending on or after the date of issuance of EIC-173 with retrospective application without restatement of prior periods. The Corporation has applied this new abstract at the date of issuance resulting in no impact on its consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three months ended March 31, 2010
(with comparative figures for the year ended December 31, 2009)
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Fair Value Hierarchy

In January 2009, the CICA adopted amendments to sections 3862 "Financial Instruments Disclosures". These amendments require the Corporation to present certain information about financial instruments measured at fair value in the Consolidated Balance Sheets. In the first year of application, comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the December 31, 2009 year end. The following table presents financial assets and liabilities measured at fair value on the consolidated balance sheets in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted in active markets for identical assets or liabilities);

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. Additional disclosure has been provided for in Note 19 as a result of this section.

Mining exploration costs

On March 27, 2009, the Canadian Institute of Chartered Accountants approved EIC 174, "Mining Exploration Costs". The EIC provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The Corporation has applied the EIC, resulting in no impact on its consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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FUTURE ACCOUNTING CHANGES

Convergence with International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to implement IFRS, which will replace Canadian GAAP for these types of entities.

The effective date for this change is interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 will require the restatement for comparative purposes of quarterly and annual amounts reported by the Corporation for the year ended December 31, 2010. The Corporation is in the process of developing a plan for IFRS convergence. Detailed analysis of the differences between IFRS and the Corporation's accounting policies and assessment of the various alternatives for first time adoption of IFRS are in progress. Training for key employees has begun and will continue throughout implementation. Due to the anticipated changes in IFRS prior to transition, it is currently not possible to fully determine the impact on the consolidated results.

4. CASH AND CASH EQUIVALENTS

	2010 \$	2009 \$
Cash	5,543,619	886,678
Short-term deposits	2,753,543	9,500,644
	8,297,162	10,387,322

As at March 31, 2010, the Corporation held short-term deposits consisting of a Canadian dollar denominated guaranteed investment certificate due March 21, 2011, yielding 0.600% [December 31, 2009 - 90 days, yielding of 0.094% to 0.100%].



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three months ended March 31, 2010
 (with comparative figures for the year ended December 31, 2009)
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5. INVESTMENTS

	2010		2009	
	Fair Value \$	Cost \$	Fair Value \$	Cost \$
Equities				
Canadian equities (*)	1,831,500	1,407,860	1,680,000	1,272,960
Other Financial Assets				
Guaranteed investment certificates (**)	75,000	75,000	75,000	75,000
Investment in warrants(*)	307,800	245,100	-	-
	382,800	320,100	75,000	75,000
	2,214,300	1,727,960	1,755,000	1,347,960

(*) On February 25, 2010 the Corporation acquired ownership of an additional 1,900,000 common shares of Rolling Rock Resources Corporation ("Rolling Rock") (TSX-V: RLL) (representing approximately 3.6% of the then outstanding common shares of Rolling Rock), and warrants to purchase an additional 1,900,000 common shares of Rolling Rock at a price of \$0.30 per share until February 25, 2012, by way of private placement at an aggregate price of \$380,000 in cash, or \$0.20 per unit (each unit consisting of one common share and one warrant of Rolling Rock). Following completion of the private placement, Mega now owns an aggregate of 9,900,000 common shares of Rolling Rock (representing approximately 18.9% of the currently outstanding common shares of Rolling Rock) and warrants to purchase an additional 1,900,000 common shares of Rolling Rock. These warrants are restricted by the TSX-V from being sold, transferred, hypothecated or otherwise traded until June 26, 2010. If all of the warrants are exercised, Mega will have ownership or control over 11,800,000 common shares of Rolling Rock (representing approximately 21.7% of the outstanding common shares of Rolling Rock then outstanding after giving effect to only the exercise of the warrants).

On the date of grant, the fair value of the share purchase warrants were estimated to be \$245,100 using the Black-Scholes option pricing model. The fair value on this date was based on an expected volatility of 233%, a risk-free interest rate of 0.012%, no dividends to be paid, and an expected life two years.

On March 31, 2010, the share purchase warrants were revalued to \$307,800. The fair value at March 31, 2010 was based on an expected volatility of 229%, risk free rate of 0.012%, no dividends to be paid, and a remaining life of 1.85 years.

(**) At March 31, 2010, the Corporation's investments consist of a guaranteed investment certificate maturing within 29 days, yielding 1.20% [December 31, 2009 - maturing within 29 days, yielding 1.20%]. Furthermore, the Corporation has entered into an agreement with the Royal Bank of Canada that prevents the Corporation from removing securities or monies from its account if the effect would be to reduce the market value of the account below the security provided for in the letters of credit described in note 6.

Fair value of equities is determined as the bid price as at March 31, 2010 and December 31, 2009.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three months ended March 31, 2010
 (with comparative figures for the year ended December 31, 2009)
 (Stated in Canadian Dollars)

6. STANDBY LETTERS OF CREDIT

The Corporation has a \$75,000 standby letter of credit outstanding in favour of the Kitikmeot Inuit Association relating to reclamation obligations associated with the Blue Caribou Property in Nunavut.

Security for the standby letter of credit held with the Royal Bank of Canada is described in note 5.

7. PROPERTY, PLANT AND EQUIPMENT

Details of period-end property, plant and equipment balances are as follows:

	2010		2009	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Computer equipment	28,860	11,993	28,860	10,625
Software	5,396	2,289	5,396	2,037
Office equipment	94,686	35,419	94,686	30,613
Leasehold improvements	24,274	8,725	24,274	7,464
	153,216	58,426	153,216	50,739
Capital assets, net	94,790		102,477	

Amortization for the period is \$7,687 [2008 - \$34,063].



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three months ended March 31, 2010
 (with comparative figures for the year ended December 31, 2009)
 (Stated in Canadian Dollars)

8. MINERAL PROPERTIES

Accumulated costs with respect to the Corporation's interest in mineral properties owned, leased or under option, consisted of the following:

	2010				2009	
	Deferred Exploration Expenditures	Option Payments and acquisition costs	Option Payments Received	Mineral Property Write- downs	Total	Total
	\$	\$	\$	\$	\$	\$
North-Madsen, Ontario(*)	1,719,793	692,573	-	-	2,412,366	1,822,975
Headway, Ontario(*)	650,105	466,000	-	-	1,116,105	708,879
Blue Caribou, Nunavut(*)	1,041,943	8,569,738	-	-	9,611,681	9,579,346
Other areas(*)	97,871	-	-	(74,988)	22,883	105,752
	3,509,712	9,728,311	-	(74,988)	13,163,035	12,216,952

* Property descriptions can be found in the December 31, 2009 audited consolidated financial statements.

Mineral property write-downs

Subsequent to period end the Corporation decided to relinquish its interest in the Mink Lake property, located in Red Lake, Ontario. As such, the carrying value of \$74,988 was charged against earnings in the current period (see note 18).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three months ended March 31, 2010
 (with comparative figures for the year ended December 31, 2009)
 (Stated in Canadian Dollars)

9. COMMON SHARES

The Corporation is authorized to issue an unlimited number of common shares.

	Number #	Carrying Amount \$
Balance, December 31, 2008	26,916,984	33,238,906
Stock options exercised	136,500	69,040
Stock options exercised pursuant to obligation to issue shares arising from Skybridge acquisition	50,000	12,500
Shares issued for acquisition of Skybridge	8,105,384	6,370,914
Warrants exercised pursuant to obligation to issue shares arising from Skybridge acquisition	71,912	17,978
Reallocation from contributed surplus amounts relating to the exercise of stock options	-	57,439
Reallocation from obligation to issue shares amounts relating to the exercise of stock options	-	21,700
Reallocation from obligation to issue shares amounts relating to the exercise of share purchase warrants	-	31,211
Revaluation of warrants due to extension	-	(1,800,250)
Shares issued for mineral properties	605,000	483,950
Private Placement	8,050,000	2,817,500
Share issue costs	-	(791,585)
Flow through share renunciation adjustment	-	(877,250)
Balance, December 31, 2009	43,935,780	39,652,053
Stock options exercised	25,000	7,500
Shares issued for mineral properties	8,000	3,920
Reallocation from contributed surplus amounts relating to the exercise of stock options	-	4,500
Flow-through share renunciation	-	(1,489,250)
Balance, March 31, 2010	43,968,780	38,178,723

2009

Acquisition of Skybridge Development Corp.

In connection with the acquisition of Skybridge Development Corp. (note 2), the Corporation issued 8,105,384 shares.

Shares issued for mineral properties

The Corporation issued 200,000 shares in connection with the acquisition of the My-Ritt property in Red Lake, Ontario (note 8).

The Corporation issued 75,000 shares as an option payment on the Fisher property in the Yukon Territory (note 8).

The Corporation issued 200,000 shares in relation to the acquisition of the Headway property (note 8).

The Corporation issued 30,000 shares in relation to the Mink Lake property acquisition (note 8).

The Corporation issued 100,000 shares in relation to an option payment on the Lavery property in Red Lake, Ontario (note 8).

Private placement



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three months ended March 31, 2010
 (with comparative figures for the year ended December 31, 2009)
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On October 20, 2009 the Corporation announced that it had sold, on a best efforts basis, 8,050,000 flow-through units (the "Unit"), after full exercise of an over-allotment option, at a price of \$0.75 per Unit. Each Unit consists of one flow-through common share and one whole share purchase warrant. Each share purchase warrant entitles the holder to acquire one additional common share of Mega at any time up to October 20, 2011 for an exercise price of \$1.15. The agents received an aggregate commission equal to 6% of the gross proceeds of the offering and broker warrants in an aggregate amount of 10% of the number of Units sold. Each broker warrant is exercisable by the agents to acquire one common share of Mega at a price of \$0.75 per share at any time up to October 20, 2011.

2010

Shares issued for mineral properties

The Corporation issue 8,000 shares as an option payment on the Skookum property in Red Lake, Ontario (included in North Madsen property, note 8).

10. SHARE PURCHASE WARRANTS

The following table reflects the continuity of warrants:

	Number of Warrants		Weighted Average Exercise Price	
	2010 #	2009 #	2010 \$	2009 \$
Opening balance	16,867,500	9,154,300	1.25	1.47
Warrants granted	-	8,855,000	-	1.10
Warrants expired	(137,500)	(1,141,800)	1.50	1.20
	16,730,000	16,867,500	1.30	1.25

The following table reflects the value of share purchase warrants currently outstanding:

Warrants	Number #	Carrying Amount \$
Share purchase warrants, exercisable at \$1.60 and expiring November 2, 2010	1,375,000	305,250
Share purchase warrants, exercisable at \$1.50 and expiring November 2, 2010	6,500,000	1,495,000
Share purchase warrants, exercisable at \$1.15 and expiring October 20, 2011	8,050,000	3,220,000
Broker warrants, exercisable at \$0.75 and expiring October 20, 2011	805,000	353,595
	16,730,000	5,373,845

The fair value of the share purchase warrants were estimated using the Black-Scholes option pricing model. The assumptions used for the valuation of the respective warrants were:

No dividends are to be paid, expected volatility 156%, a risk-free interest rate of 1.36% and an expected life to the expiry date. The fair value assigned to the 7,875,000 share purchase warrants that were extended, and the 8,050,000 share purchase warrants and 805,000 broker warrants issued in relation to the October 20, 2009 financing was \$1,800,250, \$3,220,000 and \$353,595 respectively.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three months ended March 31, 2010
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11. SHARE INCENTIVE PLAN

The Corporation has a share incentive plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

The following table reflects the continuity of stock options under the Plan:

	Number of Stock Options		Weighted Average Exercise Price	
	2010 #	2009 #	2010 \$	2009 \$
Opening balance	2,410,000	2,165,000	1.25	1.43
Options granted	-	1,735,000	-	1.15
Options cancelled	-	(1,353,500)	-	0.98
Options exercised	(25,000)	(136,500)	0.30	0.50
	2,385,000	2,410,000	1.26	1.25

The following table reflects the stock options outstanding as at March 31, 2010:

Expiry Date	Exercise Price \$	Options Granted #	Options Vested #
October 2, 2010	0.30	25,000	25,000
October 11, 2010	0.30	25,000	25,000
January 2, 2011	1.25	100,000	100,000
February 27, 2013	1.79	500,000	500,000
June 11, 2014	1.15	1,550,000	774,999
October 22, 2014	0.75	160,000	26,667
October 22, 2014*	0.75	25,000	6,250
		2,385,000	1,457,916

(*) Options vest equally over four consecutive quarters (12 months).

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, \$292,530 was recorded as compensation for the 291,250 stock options that vested during the period.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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12. CONTRIBUTED SURPLUS

The following table reflects the continuity of contributed surplus:

	\$
Balance, December 31, 2008	1,779,300
Stock options vested	1,390,240
Stock options exercised	(57,439)
Expiry of warrants	969,077
Reallocation of stock options and share purchase warrants from obligation to issue shares	65,967
Balance, December 31, 2009	4,147,145
Stock options vested	292,530
Stock options exercised	(4,500)
Expiry of warrants	553,391
Balance, March 31, 2010	4,988,566

13. INCOME (LOSS) PER SHARE

The basic income (loss) per share is computed by dividing the income (loss) for the period by the weighted average number of common shares outstanding during the period. Fully diluted loss per share is the same as basic loss per share. The effect of common share purchase options and warrants on the net loss is not reflected as to do so would be anti-dilutive.

The following table sets forth the computation of basic and diluted loss per share:

	2010	2009
<u>Numerator:</u>		
Net income (loss)	892,159	(2,439,179)
<u>Denominator:</u>		
Weighted average number of common shares	43,957,124	33,557,795
Basic and diluted income (loss) per share	0.02	(0.07)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three months ended March 31, 2010
(with comparative figures for the year ended December 31, 2009)
(Stated in Canadian Dollars)

14. RELATED PARTIES

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

[a] Included in general and administrative expenses are amounts totaling \$3,381 (2009 - \$19,607) for corporate secretarial services provided to the Corporation by companies related to the Corporation through a common officer.

[b] Included in general and administrative expenses are amounts totaling \$65,091 (2009 - \$134,934), and included in the mineral property expenditures are amounts totalling \$25,313 (2008 - \$50,626) for rent, facilities related charges, and accounting and management services provided by a company related to the Corporation through a common officer.

15. COMMITMENTS

The Corporation has commitments relating to property leases, facilities related charges, and a management and accounting services agreement.

The minimum annual payments for the next two years are as follows:

	\$
2010	366,659
2011	194,415
	<u>561,074</u>

Flow-through renunciation

As at December 31, 2009, the Corporation renounced 100% of its flow-through related resource expenditures to investors. The Corporation had until February 1, 2010 to incur the expenditures before monthly interest charges began to accrue on unspent funds. Interest charges incurred by the Corporation as a result of this income tax legislation are charged to income in the period incurred. Of the \$5,957,000 in flow-through financing raised in 2009 the Corporation has incurred \$2,512,680 in exploration expenditures. Therefore the Corporation must incur an additional \$3,444,320 in exploration expenditures to fulfil its obligation by December 31, 2010.

Obligation to issue shares

Pursuant to the agreement with Skybridge Development Corp. (note 2), the Corporation has committed to issuing up to 1,390,000 common shares in relation to Skybridge options and warrants granted prior to the date of the agreement. The fair value in the amount of \$722,138 for the stock options and warrants was determined using the Black-Scholes option pricing model using the following assumptions: no dividends to be paid, risk free interest rate of 1.19%, expected volatility of 132%, expected life of 1.88 years. The obligation has been reduced to \$169,260 at March 31, 2010 due to the exercise and expiry of stock options and share purchase warrants in current and previous periods.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three months ended March 31, 2010
(with comparative figures for the year ended December 31, 2009)
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16. MANAGEMENT OF CAPITAL

The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimises the costs of capital at an acceptable risk. In the management of capital, the Corporation includes the components of shareholders' equity. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, acquire or dispose of assets.

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation had no held-to-maturity or available for sale instruments and no allowance for credit losses as at March 31, 2010 and December 31, 2009:

	2010	2009
Financial Assets		
<i>Held for trading, measured at fair value</i>		
Cash and cash equivalents	8,297,162	10,387,322
Investments	2,214,300	1,755,000
	10,511,462	12,142,322
<i>Loans and receivables, measured at amortized cost</i>		
Accounts receivable	198,943	239,149
Financial Liabilities		
<i>Other liabilities, measured at amortized cost</i>		
Accounts payable and accrued liabilities	321,605	762,981

(a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Corporation manages its credit risk by holding cash and cash equivalents through large Canadian financial institutions. Investments (including those presented as cash and cash equivalents) are comprised of instruments issued by the Federal Government of Canada and equity shares traded on Canadian exchanges. The Corporation's accounts receivable consist primarily of sales taxes due from the Federal Government of Canada. Financial assets are all current and therefore the maximum credit exposure would be the carrying value of these assets.

(b) Liquidity risk

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

(c) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of the investments and other items held within cash and cash equivalents is limited due to the relatively short maturity of the investments. The Corporation manages its interest rate risk by investing in short-term investments and therefore is not exposed to significant fluctuations in interest rates.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the three months ended March 31, 2010
(with comparative figures for the year ended December 31, 2009)
(Stated in Canadian Dollars)

(d) Fair Value

Financial instruments consist of cash and cash equivalents, investments, accounts receivable, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value, unless otherwise noted due to the short terms to maturity.

(e) Fair Value Hierarchy

The financial assets and liabilities measured at fair value in the Consolidated Balance Sheets are grouped into Level 1 for investments.

18. SUBSEQUENT EVENTS

Subsequent to period end the Corporation granted options to purchase up to an aggregate of 1,250,000 common shares of the Corporation to employees, officers, directors and consultants pursuant to the Corporation's stock option plan.

Subsequent to period end the Corporation decided to relinquish its interest in the Mink Lake property, located in Red Lake, Ontario.

19. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year. These reclassifications have no material effect on the financial statements.