

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



(Formerly Mega Silver Inc.)
September 30, 2009



(Formerly Mega Silver Inc.)

NOTICE TO SHAREHOLDERS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009

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, 2008 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.



(Formerly Mega Silver Inc.)
(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at September 30, 2009
(with comparative figures as at December 31, 2008)
(Stated in Canadian Dollars)

	2009	2008
	\$	\$
ASSETS		
Current		
Cash and cash equivalents <i>[note 4]</i>	8,984,471	199,064
Investments <i>[note 5]</i>	75,000	11,000,000
Accounts receivable	152,368	405,503
Prepays and deposits	163,999	62,625
Total current assets	9,375,838	11,667,192
Property, plant and equipment <i>[note 7]</i>	112,821	131,078
Mineral properties <i>[note 8]</i>	10,249,220	349,455
	19,737,879	12,147,725
LIABILITIES		
Current		
Accounts payable and accrued liabilities	1,481,742	120,558
Taxes payable	6,489	-
Total current liabilities	1,511,750	120,558
Long term tax payable	23,519	-
Future tax liability	2,123,142	-
SHAREHOLDER'S EQUITY		
Share capital		
Issued		
Common shares <i>[note 9]</i>	39,225,686	33,238,906
Obligation to issue shares <i>[note 15]</i>	603,260	-
Share purchase warrants <i>[note 10]</i>	1,088,468	1,088,468
Contributed surplus <i>[note 12]</i>	2,966,570	1,779,300
Deficit	(27,780,997)	(24,079,507)
Total shareholders' equity	16,102,987	12,027,167
	19,737,879	12,147,725

See accompanying notes to the consolidated financial statements

On behalf of the Board:

"Michael Sweatman"
Director

"Jim Rogers"
Director



(Formerly Mega Silver Inc.)
(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT

(Unaudited)

(Stated in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
REVENUE				
Investment income	-	121,944	116,362	365,195
EXPENSES				
Amortization	9,147	6,560	25,877	9,203
Stock compensation <i>[note 11]</i>	339,991	535,011	1,178,741	2,044,278
Flow-through interest penalty	15,568	-	33,999	-
General and administrative	334,448	242,113	1,125,561	697,388
Professional fees	34,652	45,029	109,738	232,138
Exploration expenses	-	-	21,605	-
	733,806	828,713	2,495,521	2,983,007
Loss before the following	(733,806)	(706,769)	(2,379,159)	(2,617,812)
Write down of mineral properties	(1,848,731)	(3,754,270)	(1,848,731)	(3,754,270)
Loss before income taxes	(2,582,537)	(4,461,039)	(4,227,890)	(6,372,082)
Income taxes				
Future tax recovery	(165,380)	-	(526,400)	-
	(165,380)	-	(526,400)	-
Loss and comprehensive loss for period	(2,417,157)	(4,461,039)	(3,701,490)	(6,372,082)
Deficit, beginning of period	(25,363,840)	(19,485,513)	(24,079,507)	(17,574,470)
Deficit, end of period	(27,780,997)	(23,946,552)	(27,780,997)	(23,946,552)
Basic and diluted loss per share <i>[note 13]</i>	(0.08)	(0.17)	(0.12)	(0.25)

See accompanying notes to the consolidated financial statements



(Formerly Mega Silver Inc.)

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Stated in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Loss and comprehensive loss for period	(2,417,157)	(4,461,039)	(3,701,490)	(6,372,082)
Add charges to earnings not involving a current payment (receipt) of cash				
Amortization	9,147	6,560	25,877	9,203
Stock compensation	339,991	535,011	1,178,741	2,044,278
Future tax recovery	(165,380)	-	(526,400)	-
Write-off of mineral properties	1,848,731	3,754,270	1,848,731	3,754,270
	(384,668)	(165,198)	(1,174,541)	(564,331)
Net change in non-cash working capital balances related to operations	1,040,288	419,110	1,499,804	466,292
Cash provided by operating activities	655,620	253,912	325,263	(98,039)
INVESTMENT ACTIVITIES				
Mineral exploration and development expenditures, net	(2,343,233)	(1,809,010)	(2,726,805)	(3,493,532)
Proceeds from the sale (purchase) of investments, net	8,800,000	1,500,000	10,925,000	(13,000,000)
Purchase of property, plant and equipment	-	(85,407)	(3,181)	(143,504)
Cash received on acquisition	-	-	165,612	-
Cash provided by (used in) investment activities	6,456,767	(394,417)	8,360,626	(16,637,036)
FINANCING ACTIVITIES				
Shares issued in private placements	-	-	-	3,025,000
Proceeds from the exercise of stock options	62,500	-	81,540	137,500
Proceeds from the exercise of share purchase warrants	17,978	-	17,978	-
Release of subscription receipts proceeds in escrow	-	-	-	13,000,000
Share issue costs	-	-	-	(186,153)
Cash provided by financing activities	80,478	-	99,518	15,976,347
Increase (decrease) in cash during period	7,192,865	(140,505)	8,785,407	(758,728)
Cash, beginning of period	1,791,606	193,513	199,064	811,736
Cash, end of period	8,984,471	53,008	8,984,471	53,008

See accompanying notes to the consolidated financial statements



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the nine months ended September 30, 2009
 (with comparative figures as at December 31, 2008)
 (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 Corporation received all necessary approvals on September 14, 2009 to change its name from Mega Silver Inc. and to continue into the jurisdiction of Ontario. 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 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 allocation of the purchase price related to the Skybridge transaction is preliminary and will be refined as information relating to the valuation of the fair value of net assets and the determination of certain tax values of those assets are finalized. The preliminary allocation of the purchase consideration totaling \$7,093,052, is 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>
Total net assets		<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 nine months ended September 30, 2009
(with comparative figures as at December 31, 2008)
(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 2008 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.

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. Mega has chosen early adoption of sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests". These sections have been applied concurrently in these financial statements.

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

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

(Unaudited)

For the nine months ended September 30, 2009
 (with comparative figures as at December 31, 2008)
 (Stated in Canadian Dollars)

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, 2011 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 has begun assessing the adoption of IFRS for 2011, and a plan and timeline for implementation has been put in place.

4. CASH AND CASH EQUIVALENTS

	2009	2008
	\$	\$
Cash	1,984,892	199,064
Short-term deposits	6,999,579	-
	8,984,471	199,064

As at September 30, 2009, the Corporation held short-term deposits consisting of Canadian dollar denominated short-term financial instruments maturing within 57 days, yielding 0.070% [December 31, 2008 - 90 days, yielding of 0.606% - 1.586%].

5. INVESTMENTS

	2009		2008	
	Market \$	Cost \$	Market \$	Cost \$
Guaranteed investment certificates	75,000	75,000	11,000,000	11,000,000

At September 30, 2009, the Corporation's investments consist of guaranteed investment certificates maturing within 29 days, yielding 1.20% [December 31, 2008 - 2.15%]. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the nine months ended September 30, 2009
(with comparative figures as at December 31, 2008)
(Stated in Canadian Dollars)

6. STANDBY LETTERS OF CREDIT

The Corporation's wholly owned subsidiary 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:

	2009		2008	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Computer equipment	32,533	10,784	22,855	3,428
Software	5,396	1,765	5,396	809
Furniture and equipment	94,686	25,418	94,686	9,469
Leasehold improvements	24,274	6,101	24,274	2,427
	156,889	44,068	147,211	16,133
Property, plant and equipment, net	112,821		131,078	

Amortization for the period is \$25,877 [2008 - \$16,133].

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the nine months ended September 30, 2009
(with comparative figures as at December 31, 2008)
(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:

	2009			2008	
	Deferred exploration expenditures \$	Option payments and acquisition costs \$	Option payments received \$	Total \$	Total \$
East My-Ritt, Ontario*	170,600	267,149	-	437,749	-
Lavery, Ontario*	281,575	149,497	-	431,072	-
Blue Caribou, Nunavut*	619,602	8,525,212	-	9,144,814	-
Eagle, Yukon*	-	-	-	-	32,505
Fisher, Yukon*	-	-	-	-	257,754
Spider-Mann, Yukon*	-	-	-	-	54,601
Other Areas*	195,585	40,000	-	235,585	4,595
	1,267,362	8,981,858	-	10,249,220	349,455

* The property descriptions can be found in the June 30, 2009 consolidated financial statements.

Mineral property acquisitions and agreements

On August 12, 2009 the Corporation entered into a letter of intent in respect of an option to acquire a 100% interest in the "Mink Lake" property in Red Lake, Ontario and the "Sunshine Lake" property in the Dryden, Ontario area from Perry English ("Vendor"). Terms of the option agreement between Mega and the Vendor include cash payments totaling \$147,420 and issuance of 120,000 common shares of Mega. Initial payment obligation at signing of the Definitive Agreement between the parties will be \$24,420 and issuance of 30,000 Mega shares. The Vendor retains a 1.5% Net Smelter Royalty on both the Mink Lake and the Sunshine Lake Properties subject to the right of Mega to purchase one-half of either NSR for \$1,000,000.00 at any time. Mega shall retain a right of first refusal on acquisition of the entire NSR at all times. Terms and share issuance remain subject to TSX Venture Exchange and all regulatory approvals (see note 18 - Subsequent Events).

On September 1, 2009 the Corporation entered into a letter of intent with King's Bay Corporation ("King's Bay") to acquire a 100% interest in the "Headway" property located in the Red Lake district in the Province of Ontario. Pursuant to the letter of intent, King's Bay is required to acquire Richview Resource Inc's 15% interest in the Headway property prior to the Corporation entering into the Definitive Agreement (the "Richview Condition") (see note 18 - Subsequent Events).

Mineral property write downs

As at September 30, 2009, the Corporation decided to relinquish its interest in certain mineral properties located in the Yukon Territory. As such, the carrying value of \$1,848,731 related to the Corporation's Yukon based mineral properties as at September 30, 2009 have been charged against earnings in the current period. The properties affected include Eagle, Fisher, and Spider-Mann.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the nine months ended September 30, 2009
(with comparative figures as at December 31, 2008)
(Stated in Canadian Dollars)

9. COMMON SHARES

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

	Number #	Value \$
Balance December 31, 2007	9,709,984	18,080,471
Issued on conversion of subscription receipts	13,632,000	13,632,000
Shares issued for mineral properties	525,000	516,750
Flow through shares issued	2,750,000	3,025,000
Stock options exercised	300,000	137,500
Reallocation from contributed surplus amounts relating to the exercise of stock options	-	83,000
Share issue costs	-	(2,235,815)
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	-	57,437
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
Shares issued for mineral properties	275,000	283,250
Flow-through share renunciation	-	(877,250)
Balance, September 30, 2009	35,555,780	39,225,686

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 also issued issued 75,000 shares as an option payment on the Fisher property in the Yukon Territory.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the nine months ended September 30, 2009
(with comparative figures as at December 31, 2008)
(Stated in Canadian Dollars)

(b) As at September 30, 2009 a total of 3,105,110 common shares and 227,750 warrants were held in escrow and will be released as follows:

Date	Shares #	Warrants #
November 28, 2009	253,542	-
January 23, 2010	696,981	74,250
May 28, 2010	253,542	-
July 23, 2010	696,981	74,250
November 28, 2010	253,542	-
January 23, 2011	696,981	74,250
May 28, 2011	253,541	-
	3,105,110	222,750

10. SHARE PURCHASE WARRANTS

The following table reflects the continuity of warrants:

Expiry Date	Exercise Price \$	2009 Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	September 30, 2009 Closing Balance #
November 1, 2009	1.00	825,800	-	-	-	825,800
November 1, 2009	1.50	4,566,000	-	-	-	4,566,000
November 2, 2009	1.50	2,250,000	-	-	-	2,250,000
January 29, 2010	1.60	1,375,000	-	-	-	1,375,000
January 29, 2010	1.50	137,500	-	-	-	137,500
		9,154,300	-	-	-	9,154,300

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 75.81%, a risk-free interest rate of between 3.15% and 3.34% and an expected life to the expiry date. Value assigned to the 9,154,300 share purchase warrants issued in 2008 was \$1,088,468.

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

Warrants	Number #	Value \$
Broker warrants, exercisable at \$1.00 and expiring November 1, 2009	825,800	969,077
Share purchase warrants, exercisable at \$1.50 and expiring November 1, 2009	4,566,000	-
Share purchase warrants, exercisable at \$1.50 and expiring November 2, 2009	2,250,000	-
Share purchase warrants, exercisable at \$1.60 and expiring January 29, 2010	1,375,000	-
Broker warrants, exercisable at \$1.50 and expiring January 29, 2010	137,500	119,391
	9,154,300	1,088,468

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the nine months ended September 30, 2009
(with comparative figures as at December 31, 2008)
(Stated in Canadian Dollars)

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	
	2009 #	2008 #	2009 \$	2008 \$
Opening balance	2,165,000	500,000	1.43	0.60
Options granted	1,550,000	1,965,000	1.15	1.50
Options cancelled	(1,353,500)	-	0.98	-
Options exercised	(136,500)	(300,000)	0.50	0.46
	2,225,000	2,165,000	1.26	1.43

The following table reflects the stock options outstanding as at September 30, 2009:

Expiry Date	Exercise Price \$	Options Granted #	Options Vested #
October 2, 2010	0.30	50,000	50,000
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	258,333
		2,225,000	933,333

On June 11, 2009 the Corporation granted 1,550,000 options to various directors, officers, employees and consultants of the Corporation. The options, which vest equally over six consecutive quarters (18 months), have an exercise price of \$1.15 and expire in 5 years. The Corporation applies the fair value method of accounting for all stock based compensation awards. The fair value of \$1,643,000 assigned to this grant was estimated using the Black-Scholes option pricing model with the following assumptions: no dividends to be paid, volatility 156%, risk free interest rate 2.07%, and an expected life of 5 years.

A total of \$1,178,741, including \$274,087 related to the most recent grant, was recorded as compensation for the 949,170 stock options that vested during current period [2008 - \$1,678,300 was recorded as compensation for the 945,832 stock options that vested].



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the nine months ended September 30, 2009
 (with comparative figures as at December 31, 2008)
 (Stated in Canadian Dollars)

12. CONTRIBUTED SURPLUS

The following table reflects the continuity of contributed surplus:

	\$
Balance, December 31, 2008	1,779,300
Stock options vested	1,178,741
Stock options exercised	(57,437)
Reallocation of warrants	65,966
Balance, September 30, 2009	2,966,570

13. LOSS PER SHARE

The basic loss per share is computed by dividing the 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:

	2009	2008
Numerator:		
Net loss	(3,701,490)	(6,505,037)
Denominator:		
Weighted average number of common shares	30,686,789	25,815,831
Basic and diluted loss per share	(0.12)	(0.25)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the nine months ended September 30, 2009
(with comparative figures as at December 31, 2008)
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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 \$15,658 (2008 - \$8,292) 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 \$120,540 (2008 - \$nil) for rent, facilities related charges, and accounting and management services provided by a company related to the Corporation through a common officer.

[c] Included in general and administrative expenses are amounts totaling \$50,000 (2008 - \$30,000) for management fees paid to a former director and officer of the Corporation.

[d] Included in general and administrative expenses are amounts totaling \$28,500 (2008 - \$15,000) for administrative and accounting fees paid to a company owned by a former officer of the Corporation.

[e] Included in project costs are amounts totaling \$1,464 (2008 - \$nil) for geological supplies purchased from a company related to the Corporation through a common director.

[f] Included in mineral property expenditures are amounts totalling \$15,000 (2008 - \$nil) for the rental of a core shack provided by a company related to the Corporation through a common director and officer.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the nine months ended September 30, 2009
 (with comparative figures as at December 31, 2008)
 (Stated in Canadian Dollars)

15. COMMITMENTS

The Corporation has commitments relating to a contract for rent, facilities related charges, and management and accounting services expiring June 2011 (note 14).

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

	\$
2009	90,405
2010	361,620
2011	180,810
	632,835

Flow-through renunciation

The Corporation finances a portion of its exploration programs through the issuance of flow-through shares. In 2008 the Corporation and its subsidiary issued a total of 4,000,000 shares for combined gross proceeds of \$3,462,500. The resource expenditure deductions for income tax purposes related to exploration activities funded by these financing's were renounced to investors effective December 31, 2008 under the look-back rule. Pursuant to this rule the Corporation is permitted to renounce flow-through related resource expenditures to investors in advance of their incurrence. The Corporation and its subsidiary had until February 1, 2009 to incur the expenditures before monthly interest charges began to accrue on unspent funds. Interest charges incurred by the Corporation and its subsidiary as a result of this income tax legislation were charged to income in the period incurred. Of the \$3,462,500 in flow-through dollars raised in 2008, \$3,462,500 in related resource expenditures were incurred as at September 30, 2009, therefore fulfilling the Corporation's obligation with respect to flow through share renunciation.

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 \$603,260 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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 (with comparative figures as at December 31, 2008)
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16. MANAGEMENT OF CAPITAL RISK

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, as well as cash and cash equivalents and investments. 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, or adjust the amount of cash and cash equivalents and investments.

17. MANAGEMENT OF FINANCIAL RISK

The Corporation had no held-to-maturity or available for sale instruments and no allowance for credit losses as at September 30, 2009 and December 31, 2008:

	2009	2008
<hr/>		
Financial Assets		
<i>Held for trading, measured at fair value</i>		
Cash and cash equivalents	8,984,471	199,064
Investments	75,000	11,000,000
	<hr/> 9,059,471	<hr/> 11,199,064
 <i>Loans and receivables, measured at amortized cost</i>		
Accounts receivable	152,368	405,503
<hr/>		
Financial Liabilities		
<i>Other liabilities, measured at amortized cost</i>		
Accounts payable and accrued liabilities	1,481,742	120,558
	<hr/> 1,481,742	<hr/> 120,558

(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 part of cash and cash equivalents) are comprised of financial instruments issued by the Federal Government of Canada. 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.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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(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 the fair value or 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.

(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.

18. SUBSEQUENT EVENTS

On October 5, 2009 the Corporation announced that it had signed a Definitive Agreement to acquire a 100% interest in the "Headway" property (see Note 8 - Mineral Properties). Initial payment obligations at the signing of the definitive agreement between the parties include \$340,000 cash, issuance of 200,000 Mega shares and first year project expenditures of \$750,000. Of the \$340,000 paid on signing the Definitive Agreement, \$140,000 was paid by Mega to Richview to satisfy the Richview Condition, and \$200,000 was paid by Mega to King's Bay. Terms of the 3 year option agreement between Mega and King's Bay include cash payments totalling \$460,000, issuance of 4,425,000 common shares of Mega and project expenditures of \$3,000,000. There is a 2% Net Smelter Royalty payable to the initial vendors of the property.

On October 5, 2009 the Corporation entered into a sublease agreement in relation to its office space in Vancouver, BC. Pursuant to the agreement the Corporation will retain ownership of its leasehold improvements and office equipment and furnishings until the expiry of the Head Lease following which title will transfer to the subtenant. The subtenant took possession of the space on November 15, 2009.

On October 20, 2009 the Corporation announced that it had sold, on a best efforts basis, 8,050,000 flow-through units, after full exercise of an over-allotment option ("Units"), 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.

On October 21, 2009 the Corporation announced that the TSX Venture Exchange consented to the extension in the expiry date of 1,375,000 warrants, with an exercise price of \$1.60, and 6,500,000 warrants with an exercise price of \$1.50. The expiry date of the warrants has been extended to November 2, 2010.

On November 13, 2009 the Corporation announced that it signed a definitive agreement to acquire a 100% interest in the "Mink Lake" property in the Birch Lake area, northeast of Red Lake, Ontario and the "Sunshine Lake" property south of Dryden, Ontario, from Perry English (see note 8 - Mineral Properties).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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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.