SONORA GOLD & SILVER CORP.

(formerly Mont Blanc Resources Inc.)

Financial Statements

Years Ended January 31, 2009 and 2008

(Expressed in Canadian dollars)

SATURNA GROUP
CHARTERED ACCOUNTANTS LLP
1066 West Hastings Street, Suite 2000
Vancouver, BC Canada V6E 3X2

AUDITORS' REPORT

To the Shareholders of
Sonora Gold & Silver Corp. (formerly Mont Blanc Resources Inc.)

We have audited the balance sheet of Sonora Gold & Silver Corp. (formerly Mont Blanc Resources Inc.) as at January 31, 2009 and the statements of operations, comprehensive loss, deficit, and cash flows for the year 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 audit.

We conducted our audit 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 January 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at January 31, 2008 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their audit report dated May 30, 2008.

Saturna Group LLP

Saturna Group Chartered Accountants LLP

Vancouver, British Columbia

May 15, 2009

SONORA GOLD & SILVER CORP.
(formerly Mont Blanc Resources Inc.)
Balance sheets
As at January 31, 2009 and 2008
(Expressed in Canadian dollars)

	2009 $	2008 $
Assets		
Current Assets		
Cash	198,283	160,749
Amounts receivable	9,389	15,264
Prepaid expenses and deposits	650	6,770
	208,322	182,783
Restricted cash (Note 4)	11,500	11,566
Property and equipment (Note 5)	800	1,474
Mineral property costs (Note 6)	628,597	594,728
	849,219	790,551
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	44,054	36,355
Due to related parties (Note 11)	–	20,995
	44,054	57,350
Shareholders' Equity		
Share capital (Note 7)	8,929,432	8,604,432
Contributed surplus (Note 10)	219,577	219,577
Deficit	(8,343,844)	(8,090,808)
	805,165	733,201
	849,219	790,551

Nature of operations and continuance of business (Note 1)
Subsequent event (Note 15)

Approved on behalf of the Board:

/s/ "Kenneth Churchill" — Kenneth Churchill, Director

/s/ "David George" — David George, Director

(The accompanying notes are an integral part of these financial statements)

SONORA GOLD & SILVER CORP.
(formerly Mont Blanc Resources Inc.)
Statements of operations, comprehensive loss and deficit
Years ended January 31, 2009 and 2008
(Expressed in Canadian dollars)

	2009 $	2008 $
Revenue	–	–
Expenses		
Amortization	674	1,673
Consulting	5,165	15,350
Investor relations	5,286	11,503
Management fees (Note 11)	97,300	60,625
Office and miscellaneous	24,677	13,664
Professional fees	66,160	32,576
Rent	14,423	24,120
Transfer agent and regulatory fees	26,183	12,986
Travel	13,168	29,681
	253,036	202,178
Loss from continuing operations	(253,036)	(202,178)
Gain from discontinued operations (Note 3)	–	137,183
Net loss and comprehensive loss for the year	(253,036)	(64,995)
Deficit, beginning of year	(8,090,808)	(8,025,813)
Deficit, end of year	(8,343,844)	(8,090,808)
Loss per share from continuing operations	(0.01)	(0.01)
Earnings per share from discontinued operations	–	0.01
Loss per share, basic and diluted	(0.01)	–
Weighted average shares outstanding	20,863,050	14,796,658

(The accompanying notes are an integral part of these financial statements)

SONORA GOLD & SILVER CORP.
(formerly Mont Blanc Resources Inc.)
Statements of cash flows
Years ended January 31, 2009 and 2008
(Expressed in Canadian dollars)

	2009 $	2008 $
Cash provided by (used in):		
Operating activities		
Net loss from continuing operations	(253,036)	(202,178)
Items not involving cash:		
Amortization	674	1,673
Changes in non-cash operating working capital:		
Amounts receivable	5,875	(1,304)
Prepaid expenses and deposits	6,120	(2,751)
Accounts payable and accrued liabilities	7,699	18,162
Due to related parties	(20,995)	(8,881)
	(253,663)	(195,279)
Investing activities		
Restricted cash	66	(34)
Mineral property expenditures	(33,869)	(152,228)
	(33,803)	(152,262)
Financing activities		
Proceeds from shares issued	325,000	433,000
Share issuance costs	–	(3,120)
	325,000	429,880
Discontinued operations	–	(4,053)
Increase in cash	37,534	78,286
Cash, beginning of year	160,749	82,463
Cash, end of year	198,283	160,749
Non-cash investing and financing activities:		
Shares issued for mineral properties	–	442,500
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–

(The accompanying notes are an integral part of these financial statements)

1. Nature of Operations and Continuance of Business

The Company is an exploration stage company currently focussed on exploration and development of precious and base metal projects in Mexico.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at January 31, 2009, the Company has not generated any revenues from operations and has an accumulated deficit of $8,343,844. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is pursuing equity financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles.

(b) Changes in Accounting Policies

Effective February 1, 2008, the Company adopted the new CICA Handbook Sections: 1535, "Capital Disclosures", 3862, "Financial Instruments – Disclosures", 3863 "Financial Instruments – Presentation", 3031, "Inventories", and 1400, "General Standards of Financial Statement Presentation" (revised).

(i) Capital Disclosure

Section 1535 establishes standards for disclosing information about a company's capital and how it is managed. The company's disclosure should include information about its objectives, policies and processes for managing capital, quantitative data about what the company regards as capital, whether the company has complied with any capital requirements and if it has not complied, the consequences of such non-compliance.

(ii) Financial Instruments

Section 3862, "Financial Instruments – Disclosures", requires companies to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the company manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, "Financial Instruments – Recognition and Measurement", Section 3863, "Financial Instruments – Presentation", and Section 3865, "Hedges".

2. Significant Accounting Policies (continued)

(b) Changes in Accounting Policies (continued)

Section 3863, "Financial Instruments – Presentation", enhances financial statement users' understanding of the significance of financial instruments to a company's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and circumstances in which financial assets and financial liabilities are offset.

The adoption of these standards did not have any impact on the classifications and valuation of the Company's financial instruments.

(iii) Inventories

Section 3031, "Inventories", introduces significant changes to the measurement and disclosure of inventories, including the requirement to measure inventories at the lower of cost and net realizable value, the use of the specific cost method for specific purposes, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversal of write-downs are required to be disclosed. The adoption of this standard did not have any impact on the Company's financial statements.

(iv) General Standards of Financial Statement Presentation

Section 1400, "General Standards of Financial Statement Presentation", provides revised guidance on management's responsibility to assess and disclose the Company's ability to continue as a going concern. The adoption of this standard did not have any impact on the Company's financial statements.

(c) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes to the financial statements. Significant financial statement items which involve the use of estimates include the useful life and recoverability of long-lived assets, mineral property costs, asset retirement obligations, stock-based compensation and future income tax asset valuation allowances. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

(e) Property and Equipment

Property and equipment consists of computer equipment which is recorded at cost and amortized on a 30% declining balance basis. In the year of acquisition only one-half of the normal amortization is recorded and no amortization is recorded in the year of disposal.

2. Significant Accounting Policies (continued)

(f) Mineral Properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against future income of the project using the unit of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are charged to operations.

The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs, option proceeds and recoveries, and do not necessarily reflect present or future values.

When options are granted on mineral properties, or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed carrying value of that particular claim group, the excess proceeds are reported as a gain.

Impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

(i) the Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;

(ii) exploration results are not promising and no more work is being planned in the foreseeable future; or

(iii) the remaining lease term is insufficient to conduct necessary studies or exploration work.

Once impairment has been determined, the carrying value is written down to net realizable value.

(g) Long-lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(h) Asset Retirement Obligations

The Company follows CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at the end of the current period, the Company has not incurred any asset retirement obligations related to the exploration and development of its mineral properties.

2. Significant Accounting Policies (continued)

(i) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Future income taxes assets and liabilities are recognized for the estimated future tax consequences attributable to difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences") and loss carry forwards. When necessary, a valuation allowance is recorded to reduce income tax assets to an amount where realization is more likely than not. Future income tax assets and liabilities are measured using enacted or substantively enacted tax laws and rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is recognized in the period that included the date of enactment or substantive enactment.

(j) Flow-through Shares

The Company has adopted EIC-146, which is effective for all flow-through share transactions initiated after March 19, 2004. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. 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 share capital is reduced.

If the Company has sufficient unused tax losses carried forward or other future income tax assets to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these items, a portion of such unrecognized losses is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

(k) Foreign Currency Translation

Monetary assets and liabilities are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities have been translated at transaction date rates. Revenue and expenses are translated at average rates for the period. Foreign exchange gains and losses are included in operations.

(l) Financial Instruments

The Company classifies all financial instruments as either held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. Financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial instruments classification. Held-for-trading instruments are measured at fair value with unrealized gains and losses recognized in results of operations. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost.

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities and amounts due to related parties are classified as other financial liabilities.

2. Significant Accounting Policies (continued)

(m) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. As the Company has recorded a loss in each of the periods presented, basic and diluted loss per share are the same since the exercise of warrants or options would reduce the loss per share.

(n) Comprehensive Loss

Section 1530 establishes standards for the reporting and display of comprehensive income. The Company does not have any items representing comprehensive income/loss.

(o) Stock-based Compensation

The Company recognizes stock-based compensation expense in accordance with CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". When stock or stock options are issued to employees, compensation expense is recognized based on the fair value of the stock or stock options issued on the date of grant, over the vesting period of the stock or stock options. Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. On the exercise of stock options, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

(p) Future Changes in Accounting Standards

In January 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements" and 1602, "Non-controlling Interests" which replace CICA Handbook Sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after February 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidate financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning February 1, 2011. Early adoption of this section is permitted and all three sections must be adopted concurrently.

In February 2008, the AcSB issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual financial statements for its fiscal year commencing on February 1, 2009. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

2. Significant Accounting Policies (continued)

(p) Future Changes in Accounting Standards (continued)

In February 2008, the AcSB confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The transition date of February 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2010. Management is currently assessing the impact of adopting IFRS and it has not yet determined its effect on the Company's financial statements.

(q) Reclassifications

Certain of the figures presented for comparative purposes have been reclassified to conform to the presentation adopted in the current period.

3. Discontinued Operations

On January 11, 2006, the Company entered into a joint venture ("JV") agreement ("Magnum Agreement") with Magnum Energy Inc. ("Magnum") with respect to a 50% of a Farm-out and Overriding Royalty Agreement (the "FORA"), also dated January 11, 2006, to drill a minimum of six medium-risk exploration wells in southern Alberta. Magnum entered into the FORA with a private Alberta company ("Farmor"). The FORA calls for Magnum to pay 100% of the drilling costs to earn a 50% working interest in drill space units as detailed in the FORA. Before payout, Magnum will receive 100% of the production and will pay the Farmor a 15% gross overriding royalty. Following payout, the Farmor will have the option to convert its royalty to a 50% working interest. Pursuant to the terms of the Magnum Agreement, the Company agreed to pay 55% of Magnum's drilling costs pursuant to the FORA to earn 50% of Magnum's interest in the FORA properties. Pursuant to the agreement, the Company paid 55% of all costs, expenses, obligations, risks and liabilities necessarily incurred by Magnum on certain wells and earned a 25% working interest in those wells. The Company accounted for its interest in the Magnum Agreement by directly recording the Company's share of assets, liabilities and expenses in these financial statements.

During fiscal 2007, the Company incurred $1,411,163 to acquire and develop the property pursuant to these agreements, $234,829 of which was paid by Magnum on the Company's behalf. Also during fiscal 2007, the Company performed a ceiling test on the oil and gas properties and determined that the value was impaired and, accordingly, the properties were written down by $1,207,354 to their fair value of $203,809.

During fiscal 2008, pursuant to these arrangements, the Company incurred an additional $58,224 in net capital expenditures to develop the property, all of which was paid by Magnum on the Company's behalf. Also during 2008, the Company's portion of the pipeline cost was $417,933. As at January 31, 2008, the total capital expenditures paid by Magnum on the Company's behalf was $710,986, all of which is subject to a 300% penalty as the Company is in default of its obligations according to the Magnum Agreement. As such, Magnum is entitled to the Company's share of operating income until 300% of the default has been recovered.

Previously, the Company had recorded the amounts due to Magnum as part of the oil and gas property. However, as the Company became unable to pay for its share of the joint venture expenditures, its interest in the joint venture effectively has been reduced to $nil, with no further income from the joint venture until 300% of the default has been recovered by Magnum. The Company did not expect the wells it was participating in to generate an amount in excess of $2,071,011 and, accordingly, a write-down of the entire cost of the oil and gas property was recorded in fiscal 2008.

(Expressed in Canadian dollars)

3. Discontinued Operations (continued)

The Company's oil and gas property was discontinued on January 31, 2008. The Company's directors determined that the liability and penalty due to Magnum was higher than estimated future revenues and abandoned its interest in the property as of that date. As Magnum has been garnishing the Company's portion of revenue until the default and penalty has been paid pursuant to the agreements, the Company has no further liability in the Magnum Agreement and has written-off the default amount of $710,986 due to Magnum. As the default amount is greater than the net carrying value of $684,019 of the property, the Company recognized a $26,967 cost recovery. The cost recovery of $26,967 as a result of the discontinued operations, net of future income tax recovery of $110,216, results in a net gain of $137,183.

4. Restricted Cash

The Company has pledged a guaranteed investment certificate ("GIC") as collateral for the Company's credit cards. The GIC earns interest of prime minus 2.65% and has a maturity date of December 16, 2009.

5. Property and Equipment

	Cost $	Accumulated amortization $	January 31, 2009 Net carrying value $	January 31, 2008 Net carrying value $
Computer equipment	3,562	2,762	800	1,474

6. Mineral Property Costs

On September 11, 2007, the Company entered into an option agreement to purchase three separate mineral claims (Los Pavitos, Christina, and Brenda) in the state of Sonora, Mexico. The Company paid US$50,000 to purchase a two year option on the three separate mining claims. Under the agreement, the Company has the right to earn a 100% interest in the three properties. In order to exercise the options relating to Los Pavitos and the Christina, the Company must, for each property, complete payments of US$50,000 and issue 1,500,000 common shares of the Company. To exercise the option on Brenda, the Company must issue 3,500,000 common shares of the Company. All three properties are subject to a 2% net smelter return. There are no expenditure commitments in connection with the options on the properties.

On November 27, 2007, the Company exercised its option to acquire 100% of the Los Pavitos mining claim in Sonora, Mexico, by making a cash payment of US$50,000 and by issuing 1,500,000 common shares at a fair value of $442,500 to the vendors.

(Expressed in Canadian dollars)

6. Mineral Property Costs (continued)

	Los Pavitos $	Brenda $	Christina $	Total $
Balance, January 31, 2007	–	–	–	–
Acquisition costs	514,675	19,501	19,501	553,677
Assays	676	338	338	1,352
Geological	23,040	508	508	24,056
Travel	7,821	3,911	3,911	15,643
Balance, January 31, 2008	546,212	24,258	24,258	594,728
Geological	12,294	2,558	2,558	17,410
Surface taxes	14,663	–	–	14,663
Travel	1,796	–	–	1,796
Balance, January 31, 2009	574,965	26,816	26,816	628,597

7. Share Capital

Authorized: 100,000,000 common shares without par value

	Number of shares	$
Balance, January 31, 2007	13,146,383	7,854,268
Issued pursuant to private placement	4,000,000	400,000
Issued pursuant to the exercise of stock options	50,000	10,000
Issued for acquisition of mineral property interests	1,500,000	442,500
Share issuance costs	–	(3,120)
Transfer of fair value of stock options exercised from contributed surplus	–	11,000
Renunciation of flow-through expenditures	–	(110,216)
Balance, January 31, 2008	18,696,383	8,604,432
Issued pursuant to private placement	6,500,000	325,000
Balance, January 31, 2009	25,196,383	8,929,432

a) On October 10, 2008, the Company issued 6,500,000 units at $0.05 per unit for proceeds of $325,000. Each unit consisted of one common share and one-quarter of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire on additional common share at an exercise price of $0.15 per share until October 10, 2009.

b) On January 10, 2008 the Company issued 1,500,000 common shares at a fair value of $442,500 in connection with the exercise of an option to acquire 100% of the Los Pavitos mining claim (see Note 6).

c) On November 19, 2007 the Company issued 50,000 common shares at $0.20 per share upon the exercise of options by a director.

d) On September 13, 2007 the Company issued 4,000,000 units at $0.10 per unit for proceeds of $400,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire an additional common share at a price of $0.20 per share until September 13, 2008.

(Expressed in Canadian dollars)

8. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price $
Balance, January 31, 2007	2,757,831	0.58
Issued	2,000,000	0.20
Balance January 31, 2008	4,757,831	0.41
Issued	1,625,000	0.15
Expired	(4,757,831)	0.41
Balance, January 31, 2009	1,625,000	0.15

As at January 31, 2009, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date
1,625,000	0.15	October 10, 2009

9. Stock Options

The Company has adopted a fixed stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company to a maximum of 10% of the issued and outstanding common shares. Stock options granted under this plan vest immediately. There are 1,869,638 shares reserved for issuance pursuant to stock options granted under this plan.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price $
Outstanding, January 31, 2007	1,079,000	0.21
Exercised	(50,000)	0.20
Outstanding, January 31, 2008	1,029,000	0.21
Forfeited	(379,000)	0.20
Outstanding, January 31, 2009	650,000	0.22

(Expressed in Canadian dollars)

9. Stock Options (continued)

Additional information regarding stock options outstanding as at January 31, 2009 is as follows:

	Outstanding and exercisable		
Range of exercise prices $	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.20	600,000	1.7	0.20
0.50	50,000	2.1	0.50
	650,000	1.8	0.22

10. Contributed Surplus

	$
Balance, January 31, 2007	230,577
Fair value of stock options exercised transferred to share capital	(11,000)
Balance, January 31, 2008 and 2009	219,577

11. Related Party Transactions

During the years ended January 31, 2009 and 2008, the Company was involved in the following related party transactions:

(a) The amount of $18,000 (2008 – $30,000) was paid to a company controlled by the former President of the Company for management fees.

(b) The amount of $21,300 (2008 - $30,625) was paid to a company controlled by the former Chief Financial Officer of the Company for management fees.

(c) As at January 31, 2008, the amount of $10,615 was owed to a company controlled by the former President of the Company. The amount due was non-interest bearing, unsecured and due on demand.

(d) As at January 31, 2008, the amount of $10,380 was owed to a company controlled by a former director of the Company. The amount due was non-interest bearing, unsecured and due on demand.

All of the above transactions have been in the normal course of operations and, in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

(Expressed in Canadian dollars)

12. Financial Instruments

(a) Classification of Financial Instruments

The Company has classified its financial instruments as follows:

	January 31, 2009 $	January 31, 2008 $
Financial assets:		
Held for trading, measured at fair value:		
Cash	198,283	160,749
Loans and receivables, measured at amortized cost:		
Amounts receivable	9,389	15,264
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	44,054	36,355
Due to related parties	–	20,995
	44,054	57,350

(b) Fair Values

The fair values of financial instruments, which include cash, amounts receivable, accounts payable and accrued liabilities, and due to related parties approximate their carrying values due to the relatively short-term maturity of these instruments.

(c) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(d) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(e) Liquidity

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(Expressed in Canadian dollars)

13. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, contributed surplus and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended January 31, 2008.

14. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise future tax assets and liabilities, are as follows:

	Year ended January 31, 2009 $	Year ended January 31, 2008 $
Canadian statutory income tax rate	31.00%	34.12%
Income tax recovery at statutory rate	(78,441)	(59,782)
Tax effect of:		
Permanent differences and other	362	1,908
Expiry of non-capital loss	67,851	53,072
Change in enacted tax rates	43,572	128,281
Change in valuation allowance	(33,344)	(233,695)
Income tax recovery	–	(110,216)

The significant components of future income tax assets and liabilities are as follows:

	January 31, 2009 $	January 31, 2008 $
Future income tax assets		
Non-capital losses carried forward	306,588	297,218
Property and equipment	408	794
Resource pools	235,708	271,440
Share issuance costs	10,862	17,458
Total gross future income tax assets	553,566	586,910
Valuation allowance	(553,566)	(586,910)
Net future income tax asset	–	–

(Expressed in Canadian dollars)

14. Income Taxes (continued)

As at January 31, 2009, the Company has non-capital losses carried forward of approximately $1,179,184, which are available to offset future years' taxable income. These losses expire as follows:

	$
2010	245,486
2014	61,688
2016	108,450
2027	204,837
2028	222,157
2029	336,566
	1,179,184

15. Subsequent Event

On March 11, 2009, the Company granted 450,000 stock options to two officers exercisable at a price of $0.10 per share expiring in five years.