

Financial Statements of:
CANDORADO OPERATING COMPANY LTD.

December 31, 2009

AUDITORS' REPORT

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LANCASTER & DAVID

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of Candorado Operating Company Ltd.:

We have audited the balance sheets of Candorado Operating Company Ltd. as at December 31, 2009 and 2008 and the statements of loss and deficit, comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2009 and 2008, and the result of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/ Lancaster & David

CHARTERED ACCOUNTANTS

Vancouver, BC
April 27, 2010

Incorporated Partners: David E. Lancaster, C.A. ~ Michael J. David, C.A.

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CANDORADO OPERATING COMPANY LIMITED
BALANCE SHEETS

	December 31	December 31
	2009	2008
ASSETS		
CURRENT		
Cash	\$ 796,155	\$ 52,367
Marketable securities (Note 5)	25,500	9,000
Taxes recoverable and other receivables	163,042	160,294
Prepays and advances (Note 9)	14,041	9,142
Notes receivable, net of unamortized discount of \$Nil (2008 – 609) (Note7)	—	139,391
	998,738	370,194
RECLAMATION BOND	26,500	15,000
EQUIPMENT (Note 6)	19,037	32,442
MINERAL PROPERTIES (Note 4)	3,348,700	4,336,989
	\$ 4,392,975	\$ 4,754,625

LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 165,571	\$ 305,742
Due to related parties (Note 9)	—	92
Notes payable, net of unamortized discount of \$Nil (2008 – 4,388) (Note 8)	100,000	212,862
	265,571	518,696

Contingencies and Commitments (Note 12)

SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 10 (b))	9,638,009	8,299,003
CONTRIBUTED SURPLUS (Note 10(e))	1,346,399	1,243,907
ACCUMULATED OTHER COMPREHENSIVE LOSS (Note 11)	(8,750)	(39,000)
DEFICIT	(6,848,254)	(5,267,981)
	4,127,404	4,235,929
	\$ 4,392,975	\$ 4,754,625

Nature of Operations – (Note 1)

Approved on behalf of the Board:

/s/ Kirk Reed
Kirk Reed – Director

/s/ Rene Bernard
Rene Bernard – Director

CANDORADO OPERATING COMPANY LIMITED
STATEMENTS OF LOSS AND DEFICIT

	December 31 2009	December 31 2008
ADMINISTRATIVE EXPENSES		
Consulting fees	\$ 50,928	\$ 103,843
Depreciation	9,452	10,200
Insurance	20,375	12,500
Investor relations	—	9,977
Listing and filing fees	10,976	14,040
Management fees	57,000	60,000
Office and general	21,923	29,826
Professional fees	42,549	48,771
Property evaluation	10,419	87,578
Shareholder communication	5,162	15,980
Stock based compensation	74,478	104,552
Transfer agent fees	5,062	5,761
Travel	24,504	34,919
Wages	—	32,797
Loss for the year before other items and income taxes	(332,828)	(570,744)
OTHER ITEMS		
Interest income	2,355	12
Gain (loss) on sale of marketable securities	(2,540)	80,811
Gain on sale of mineral properties	—	470,915
Loss on sale of capital assets	(1,703)	—
Impairment of mineral properties	(1,245,557)	(1,684,998)
Loss for the year before income taxes	(1,580,273)	(1,704,004)
Future income tax recovery (Note 2 and Note 15)	—	463,773
Net loss for the year	(1,580,273)	(1,240,231)
Deficit, beginning of year	\$ (5,267,981)	\$ (4,027,750)
Deficit, end of year	\$ (6,848,254)	\$ (5,267,981)
Loss per common share - Basic and diluted	\$ (0.03)	\$ (0.03)
Weighted average number of common shares	53,257,777	47,462,394

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

CANDORADO OPERATING COMPANY LIMITED
STATEMENTS OF COMPREHENSIVE LOSS

	December 31	December 31
	2009	2008
Net Loss for the year	\$ (1,580,273)	\$ (1,240,231)
Reclassification of realized loss on marketable securities	(2,540)	(12,587)
Unrealized gain (loss) on available for sale investments, net of income taxes	32,790	(63,736)
Comprehensive loss for the year	\$ (1,550,023)	\$ (1,316,554)

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

CANDORADO OPERATING COMPANY LIMITED
STATEMENTS OF CASH FLOWS

	December 31 2009	December 31 2008
OPERATING ACTIVITIES		
Net loss for the year	\$ (1,580,273)	\$ (1,240,231)
Adjust for items not affecting cash:		
Accretion of discount on notes receivables and payable, net	3,779	36
Depreciation	9,452	10,200
Loss (gain) on sale of marketable securities	2,540	(80,811)
Gain on sale of mineral properties	—	(470,915)
Loss on sale of capital assets	1,703	—
Write off of mineral properties	1,245,557	1,684,998
Recovery of future income tax assets	—	(463,773)
Stock based compensation	74,478	104,552
Net changes in non-cash working capital items:		
Accounts payable and accrued liabilities	13,788	6,410
Due to related parties	2,158	38,633
Prepaid and advances	(4,899)	(1,093)
Notes payable	(100,000)	189,779
Notes receivable	140,000	(133,594)
Taxes recoverable and receivables	14,580	37,961
Net Cash Used in Operating Activities	(177,137)	(317,848)
INVESTING ACTIVITIES		
Mineral property acquisition and exploration, net of recoveries	(324,205)	(485,374)
Payment of reclamation bond, net of reimbursements	(11,500)	(9,000)
Proceeds from the sale of marketable securities	13,460	243,811
Net Cash Used in Investing Activities	(322,245)	(250,563)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	1,327,000	180,275
Return to treasury	(900)	—
Share issue costs	(82,930)	700
Net Cash Provided from Financing Activities	1,243,170	180,975
INCREASE (DECREASE) IN CASH	\$ 743,788	\$ (387,436)
CASH, beginning of year	\$ 52,367	\$ 439,803
CASH, end of year	\$ 796,155	\$ 52,367
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ —	\$ —
Income taxes paid	\$ —	\$ —
NON-CASH FINANCING ACTIVITIES		
Shares issued for finders' fees	\$ 28,014	\$ —
Shares issued for mineral properties	\$ 123,850	\$ 232,450

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

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

The Company is incorporated under the Company Act of British Columbia, is in the exploration stage and its shares are publicly traded on the TSX Venture Exchange.

The Company's resource properties are without a known body of commercial ore. The business of exploring for resources and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The recoverability of the amount shown for resource properties is dependent upon the ability of the Company to obtain the necessary financing to complete the exploration and development of the properties, discovery of economically recoverable reserves and future profitable production. There is no assurance that the Company will be successful in recovering the amounts shown for resource properties.

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities and commitments in the ordinary course of business. At December 31, 2009, the Company has recurring losses, has an accumulated deficit of \$6,848,254 and has not generated cash from operating since inception. The Company's continuing operations and the ability of the Company to discharge its liabilities and fulfill its commitments as they come due is dependent upon the continued support of its related parties, the ability of the Company to continue to obtain equity financing and, ultimately, on locating economically recoverable ore reserves in its resource properties and attaining and maintaining profitable operations. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require the restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as established by the Canadian Institute of Chartered Accountants ("CICA").

Mineral properties

The Company capitalizes the acquisition cost of mineral properties and related exploration and development costs. The amounts shown for mineral properties represent costs incurred to date, less write-offs, recoveries and government assistance and tax credits, and do not necessarily reflect present or future values. These costs will be amortized over the estimated productive lives of the properties following the commencement of commercial production using the unit of production method. If a property is subsequently abandoned, sold or determined not to be economic, all related costs are written down. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties and related deferred exploration costs could be written off. The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to previous agreements or transfers and title may be affected by undetected title defects. Option payments are recorded as mineral property costs when the payments are made or received and the share issuances are recorded as mineral property costs using the fair market value of the Company's common shares at the date the counterparty's performance is complete or the issuance date, whichever is more determinable.

Revenue incidental to exploration and development activities, including proceeds on sale of properties and amounts received from third parties to earn an interest in the Company's mineral properties are applied as a reduction of the mineral property and deferred exploration costs. Proceeds received in excess of carrying costs are included in results of operations.

Equipment

Equipment is recorded at cost and is depreciated on a straight line basis at a rate of 20% per annum.

Estimates, assumptions, and measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of management estimates and assumptions relate to the impairment of mineral property interests, the determination of reclamation obligations, calculation of stock-based compensation, equity instruments issued for non-cash consideration, and future income tax valuations. Actual results could differ from those estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Under CICA Handbook Section 3862, "Financial Instruments – Disclosures", financial instruments are designated into one of the six categories: held-for-trading investments, held-to-maturity investments, loans and receivables, available-for-sale assets, held-for-trading liabilities, or other financial liabilities. Financial instruments, included on the balance sheet are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments and liabilities are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, de-recognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financing are expensed in the period incurred.

The Company has designated its financial instruments as follows: cash as held-for-trading investments, marketable securities as available-for-sale, accounts payable and accrued liabilities, due to related party and note payable as other financial liabilities. The Company does not engage in any form of derivative or hedging instruments.

CICA Handbook Section 3862 "Financial Instruments – Disclosures" requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Section 3862 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The Company's financial instruments consist principally of cash, marketable securities, accounts payable and accrued liabilities, due to related party and note payable. Fair value of assets and liabilities measured on a recurring basis include cash determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of accounts payable and accrued liabilities and note payable approximate their current fair values because of their nature and respective maturity dates or durations.

Loss per share

Loss per share computations are based on the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share purchase options and warrants are used to repurchase common shares at the average market price during the period. Diluted loss per share and weighted average number of common shares exclude all dilutive potential shares since their effect is anti-dilutive.

Stock-based compensation

The Company accounts for stock-based compensation expense using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus under shareholders' equity. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

Flow-through common shares

Canadian tax legislation permits an enterprise to issue flow-through shares whereby the deduction for Canadian income tax purposes relating to qualifying resource expenditures is claimed by the investor rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences between the tax basis and the reported value. Upon the Company's renunciation of qualifying resource expenditures a potential future tax liability is created. A portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will be recognized to offset the flow-through tax liability, which is recorded as a recovery of income taxes in the statement of operations. During the year ended December 31, 2009, the Company recorded a recovery of future income tax of \$Nil (2008 - \$471,450) with respect to renounced flow-through shares totaling \$Nil (2008 - \$1,520,950).

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mining Tax Credits

The Company recognizes mining tax credit amounts when the Company's application is approved by the taxation authorities or when the amount to be received can be reasonably estimated and collection is reasonably assured. The amount of the mining tax credits would reduce the Company's capitalized mineral property and deferred exploration costs through a credit to cash recoveries.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized. Refer to Note 15.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Long-lived assets

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Impairment determinations are based on management's estimates of undiscounted and discounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management.

Assets with indefinite or indeterminable lives are not amortized and are reviewed for impairment on a reporting period basis using management's fair value determinations of estimated recoverable value.

Marketable securities

The Company records its investment in marketable securities at market value. Market value is based on the closing price of the security at the balance sheet date. The Company has classified its marketable securities as available-for-sale, in which changes in fair value are recognized in comprehensive income.

Cash and cash equivalents

Cash equivalents include highly liquid term investments, where the initial terms to maturity are less than 90 days. At December 31, 2009 and 2008, the Company has no cash equivalents.

Comprehensive Income

Comprehensive income is composed of the Company's earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, net of income taxes. Cumulative changes in other comprehensive loss will be included in accumulated other comprehensive loss which is presented in shareholders' equity. The guidance of the Emerging Issues Committee ("EIC") EIC-172, "Income Statement Presentation of a Tax Loss Carry Forward" recognizes the tax benefit following an unrealized gain recorded in other comprehensive income.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Policies

- a) The Company adopted the amended CICA Handbook Section 1000, "Financial Statement Concepts", which clarifies the criteria for recognition of an asset, reinforcing the distinction between costs that should be expensed and those that should be capitalized. These amendments apply to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The adoption of this standard did not have any material effect on the financial statements.
- b) The Company adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets". This section replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section is applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. The adoption of this standard did not have any material effect on the financial statements.
- c) In June 2009, the CICA amended Section 3855, "Financial Instruments – Recognition and Measurement", to clarify that, upon reclassification of a financial instrument out of the trading category, an assessment must be completed to determine whether an embedded derivative is required to be bifurcated. In addition, the amendment prohibits the reclassification of a financial instrument out of trading when the derivative embedded in the financial instrument cannot be separately measured from the host contract. The amendment is applicable to all reclassifications occurring after July 1, 2009. The adoption of this standard did not have any material effect on the financial statements.

In August 2009, the CICA issued further amendments to Section 3855. The amendments changed the definition of a loan such that certain debt securities may be classified as loans if they do not have a quoted price in an active market and the Company does not have the intent to sell the security immediately or in the near term. As a result, debt securities classified as loans will be assessed for impairment using the incurred credit loss model of Section 3025 to reduce the carrying value of a loan to its estimated realizable amount.

Loan impairment accounting requirements are also applied to held-to-maturity financial assets as a result of the amendments. Debt securities that are classified as available-for-sale continue to be written down to their fair value when the impairment is considered to be other than temporary. However, the impairment loss can be reversed if the fair value substantially increases and the increase can be objectively related to an event occurring after the impairment loss was recognized. The adoption of this standard did not have any material effect on the financial statements.

- d) In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to require enhanced disclosure about the fair value assessments of the financial instruments. The new disclosures are based on a fair value hierarchy that categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate the fair values. The amendments apply to annual financial statements for fiscal years ending after September 30, 2009. The Company has adopted these disclosures effective in the December 31, 2009, annual financial statements.
- e) In January 2009, the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which requires the entity to consider its own credit risk as well as the credit risk of its counterparties when determining the fair value of financial assets and liabilities, including derivative instruments. The standard is effective January 1, 2009 and is required to be applied retrospectively without restatement to prior periods. The adoption of this standard did not have a material impact on the valuation of the Company's financial assets or financial liabilities.
- f) In March 2009, the CICA issued EIC 174, "Impairment Testing of Mineral Exploration Properties". This abstract discusses the analysis recommended to be performed to determine if there has been an impairment of mineral exploration properties. The Company considered the recommendations discussed in the Abstract effective for fiscal periods beginning January 1, 2009 when testing for impairment of mineral properties. The adoption of this standard did not have any material effect on the financial statements.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

3. NEW ACCOUNTING PRONOUNCEMENTS

International financial reporting standards (“IFRS”)

In February 2008, the CICA Accounting Standards Board (“AcSB”) confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The Company is assessing the potential impacts of this changeover and is developing its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions.

Business Combinations and Consolidated Financial Statements

In January 2009, the CICA issued Section 1582 “Business Combinations”, which replaces Section 1581 “Business Combinations”, and Section 1601 “Consolidated Financial Statements” and Section 1602 “Non Controlling Interests”, which replace Section 1600 “Consolidated Financial Statements”. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. As well acquisition costs are not part of the consideration and are to be expenses when incurred. These new sections are not expected to have a material impact on the Company's financial condition or operating results.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

4. MINERAL PROPERTIES

	British Columbia properties						Ontario	Quebec	December 31 2009
	Serb Creek	Murphy Lake	Eldorado	Man Prime	Deer Lake	Other	Aurora Extension	Lithium Property	
<i>Exploration costs beginning of year</i>	\$14,666	\$1,055,756	\$19,523	\$1,414,751	\$686,577	\$454,116	\$130,160	\$ —	\$3,775,549
Incurred during the year:									
Cash in lieu, assessment work reports	—	4,726	—	418	—	12	—	—	5,156
Drilling	—	—	—	—	36,840	—	—	—	36,840
Sampling and assaying	—	—	—	—	3,626	—	—	—	3,626
Helicopter, transport and rentals	—	—	—	—	3,753	—	—	—	3,753
Field work	—	—	—	—	2,200	—	—	—	2,200
Geophysical work	—	—	—	—	—	6,310	—	—	6,310
Site Costs, management fees	—	77	—	5,841	3,476	714	—	221	10,329
Maps, field supplies and misc	—	—	—	—	—	1,669	—	267	1,936
Geological consulting and reports	—	(3,018)	—	1,800	8,676	—	—	450	7,908
Exploration costs, end of year	14,666	1,057,541	19,523	1,422,810	745,148	462,821	130,160	938	3,853,607
<i>Acquisition costs, beginning of year</i>	59,504	82,275	47,806	455,234	85,506	(90,867)	63,000	—	702,458
Additions during the year:									
Common shares issued	—	30,000	—	—	4,000	—	—	60,000	94,000
Finders' fees	—	—	—	—	—	—	—	19,600	19,600
Staking fees	110	3,964	124	—	—	990	—	—	5,188
Property payments	—	—	—	—	20,000	—	—	60,000	80,000
Acquisition costs, end of year	59,614	116,239	47,930	455,234	109,506	(89,877)	63,000	139,600	901,246
Write off of resource properties	(74,280)	—	—	—	(854,654)	(123,463)	(193,160)	—	(1,245,557)
Mining tax recoveries	—	—	—	—	—	—	—	—	(160,596)
Total Mineral Properties	\$ —	\$1,173,780	\$67,453	\$1,878,044	\$ —	\$249,481	\$ —	\$140,538	\$3,348,700

CANDORADO OPERATING COMPANY LTD.
Notes to Financial Statements

Years ended December 31, 2009 and 2008

4. MINERAL PROPERTIES (Cont'd)

2008	British Columbia properties									Ontario		December 31 2008
	Serb Creek	Murphy Lake	Eldorado	Pitt Island	Man Prime	Riley/ Summer	Hefley Lake	Deer/ Friendly	Rayfield	Other	Aurora Extension	
<i>Exploration costs beginning of year</i>	\$14,985	\$856,891	\$18,517	\$17,736	\$1,337,545	\$279,367	\$128,727	\$381,712	\$63,863	\$151,792	\$125,663	\$3,376,798
Incurred during the year:												
Cash in lieu, assessment work reports	(319)	38,307	1,006	4,624	—	10	—	22,282	7,882	47,836	—	121,628
Drilling	—	67,975	—	—	420	—	—	159,545	—	—	—	227,940
Sampling and assaying	—	11,044	—	—	32,734	131	—	21,336	—	76,547	—	141,792
Helicopter, transport and rentals	—	14,187	—	—	497	430	—	9,724	—	5,104	—	29,942
Field work	—	3,260	—	—	2,534	1,290	—	15,165	—	54,346	—	76,595
Site Costs, management fees	—	9,120	—	—	6,661	1,437	1,247	10,826	198	37,045	—	66,534
Maps, field supplies and misc	—	10,701	—	—	11,345	110	1,654	705	1,689	18,010	—	44,214
Geological consulting and reports	—	44,271	—	—	23,015	2,650	5,203	65,282	523	63,400	4,497	208,841
Exploration costs, end of year	14,666	1,055,756	19,523	22,360	1,414,751	285,425	136,831	686,577	74,155	454,080	130,160	4,294,284
<i>Acquisition costs, beginning of year</i>	117,719	162,414	108,561	126,556	56,705	50,036	10,792	90,421	186,273	564,575	83,000	1,557,052
Additions during the year:												
Common shares issued	—	—	—	—	216,500	2,750	—	13,200	—	—	—	232,450
Staking fees	15,954	12,469	2,149	—	—	—	2,350	—	30,485	6,713	—	70,120
Property payments	—	15,000	—	—	307,029	100,000	10,000	60,000	—	234,000	—	726,029
Property payments cash received	—	(50,000)	—	—	(125,000)	—	—	—	(50,000)	(873,595)	(20,000)	(1,118,595)
Property payments shares received or receivable	—	—	—	—	—	—	—	—	(67,000)	(2,250)	—	(69,250)
Acquisition costs, end of year	133,673	139,883	110,710	126,556	455,234	152,786	23,142	163,621	99,758	(70,557)	63,000	1,397,806
Impairment of mineral properties	148,339	1,195,639	130,233	148,916	1,869,985	438,211	159,973	850,198	173,913	383,523	196,160	5,692,090
Gains on sale of mineral properties	(74,169)	(57,608)	(62,904)	(148,916)	—	(438,211)	(159,973)	(78,115)	(173,913)	(491,189)	—	(1,684,998)
Mining tax credits	—	—	—	—	—	—	—	—	—	470,915	—	470,915
	—	—	—	—	—	—	—	—	—	—	—	(141,018)
Total Mineral Properties	\$74,170	\$1,138,031	\$67,329	\$—	\$1,869,985	\$—	\$—	\$772,083	\$—	\$363,249	\$193,160	\$4,336,989

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

4. MINERAL PROPERTIES (Cont'd)

British Columbia

a) **Serb Creek Property**

The Company entered into an option agreement dated April 25, 2006 to acquire a 100% interest, subject to a 2% NSR in 63 mineral claims totaling 6,466 hectares located within the Omenica Mining Division, collectively referred to as the Serb Creek property. Consideration for the option was total cash payments of \$60,000 over four years (paid), an aggregate of 400,000 common shares (issued). In December 2006 the Company entered into an agreement with Georgia Ventures Inc. ("GVI") wherein GVI can earn a 50% interest in the property for consideration of a cash payment of \$60,000 (received) and must incur exploration expenditures of \$600,000 over a two year period (not completed). The NSR can be purchased by either party from the original vendor for \$1,500,000. During February 2008, GVI gave notice and the Company accepted the termination of the Option Agreement between the parties. During the year ended December 31, 2008, the Company impaired approximately one-half of the capitalized costs related to the property, which resulted in an impairment charge of \$74,169. As at December 31, 2009 the core claims for Serb Creek lapsed, and as such the Company wrote off the remaining mineral expenditures of \$74,280.

Subsequent to the year ended December 31, 2009, the Company entered into an amendment agreement with the original vendor of the property (Note 16). Under the terms of the amended agreement, the Company agreed to pay \$15,000 in consideration for the vendor relinquishing any interest in the property, specifically the 2% net smelter return royalty.

b) **Murphy Lake Property**

The Company entered into an option agreement dated February 11, 2004 (the "Option Agreement") to acquire a 100% interest, subject to a 2% NSR, in 24 mineral claim units located in the Cariboo Mining Division. The claims area covered by the agreement also includes an additional 111 claim units. The Company must make staged cash payments totaling \$700,000 over a ten-year period (\$75,000 paid) and thereafter successive payments of \$100,000 on the anniversary date of the agreement. On June 3, 2009, the Company and the original vendors agreed to amend the terms of the Option Agreement wherein the Company was granted an option to acquire the 100% interest in the 24 mineral claim units, for consideration of 1,000,000 shares of the Company (issued). The amended agreement still retains the 2% net smelter return royalty payable to the Vendors.

The Company entered into an agreement dated December 15, 2006 to provide the right to explore and develop 3 mineral concessions to Beeston Enterprises ("Beeston") for the sum of \$5,000 (received). Beeston can earn a 60% interest in these claims (in the Bluff Lake area) for consideration of a cash payment of \$45,000 (received) and must incur exploration expenditures of \$200,000 by the first anniversary date (not completed) and further exploration expenditures of \$250,000 by the second anniversary date (not completed). On October 29, 2007 and June 29, 2008 the Company entered into amending agreements to extend the dates of the exploration requirements. However, Beeston did not make the required expenditures by the extended dates. As a result, the Company entered into an agreement dated October 3, 2008 to terminate the option agreement with Beeston, in which the Company agreed to assume Beeston's liabilities of \$146,550 which was owing to vendors who performed exploration work on the property during 2008.

During December 2007, pursuant to a joint venture staking agreement, GWR Resources Inc. purchased from the Company two mineral tenures (known as the Rail JV and forming part of the Murphy Lake property) and reimbursed the Company for JV expenditures of \$100,000 (received). In August 2008, the Company purchased the two mineral tenures and GWR's 50% interest in the JV for a cash payment of \$4,000 (received). Although encouraged by the work completed to date, the Company does not anticipate expending funds in the near future to further explore the property. Accordingly, acquisition and deferred exploration costs of \$70,456 have been impaired as at December 31, 2009.

Mac and Spout Property (collectively included in Murphy Lake)

The Company entered into an option agreement dated January 26, 2004 to acquire a 100% interest, subject to a 2% net smelter returns royalty ("NSR"), in 60 mineral claims located in the Cariboo and Clinton Mining Divisions. An additional 62 mineral claim units have been staked which are also subject to the terms of the agreement. Consideration for the option was a cash payment of \$15,000 (paid), aggregate share issuances of 300,000 common shares (issued) and work commitment expenditures of \$140,000 (completed). A finder's fee of 35,000 common shares of the Company was also paid in connection with this acquisition.

Tillicum Lake (collectively included in the Mac and Spout Property)

The Company entered into an option agreement dated July 29, 2008 with Christopher James Gold Corp. ("CJGC"), where CJGC has the option to earn a 60% interest in the Tillicum Creek Au-Cu Project consisting of 5 mineral tenures located within the Mac and Spout area for a cash payment of \$50,000 upon signing the agreement (received), and a commitment to spend \$200,000 and \$250,000 on exploration by July 31, 2009 and July 31, 2010, respectively. During the year ended December 31, 2009, the option agreement was terminated.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

4. MINERAL PROPERTIES (Cont'd)

British Columbia (Cont'd)

c) Eldorado Property

The Company entered into an option agreement dated November 21, 2003 to acquire a 100% interest, subject to a 2% net smelter returns royalty, in the Eldorado Gold Project. The Company was required to make cash payments of \$100,000 (paid) and issue 500,000 common shares (issued) to the optionors in stages over a three-year period. The 2% NSR may be purchased for \$2,000,000 subsequent to making a production decision on the project. On February 16, 2007 the Company entered into an option agreement with Gravity West Corp. ("GWC") to acquire a 60% interest in the property. GWC is required to make a cash payment of \$50,000 (received) and issue 200,000 shares to the Company (received) and spend a minimum of \$500,000 on exploration on the property and issue a further 700,000 shares to the Company by February 16, 2008 (not received). The agreement is subject to a 2% NSR payment to the original vendors of the property. A finder's fee was paid in the amount of \$12,500. During February 2008, GWC gave notice and the Company accepted the termination of the Option Agreement between the parties. The Company is actively pursuing a joint venture partner on this property to further develop its merits. The Company has acquired other claims (100% owned) in the area and they are not subject to any NSR. During the year ended December 31, 2008, the Company recognized an impairment charge of \$62,904 on the property.

d) Man/Prime Property

The Company entered into an option agreement with Bearclaw Capital Corp. ("Bearclaw"), dated January 4, 2007 to acquire an 80% interest in the Man/Prime property located 35 km north of Princeton British Columbia. Under the terms of the agreement, the Company may earn a 51% interest by making a cash payment of \$50,000 (paid), incurring \$800,000 in exploration expenditures (completed) and issuing 700,000 shares (issued) by December 31, 2009. The additional 29% may be obtained by incurring an additional \$2,000,000 in exploration expenditures and issuing an additional 2,000,000 shares by December 31, 2011.

The Company entered into a purchase agreement with Bearclaw dated August 11, 2008 to acquire the remaining 49% interest of the Man/Prime property. Under the terms of the agreement, the Company is required to pay \$100,000 upon execution of the agreement (paid), 150,000 shares upon Exchange approval (issued), \$100,000 (paid) and 150,000 shares (issued) on December 31, 2008, and \$100,000 (paid on February 12, 2010) and 150,000 shares (issued) on July 31, 2009. To secure the deferred payment of the cash and shares, the Company issued a non-interest bearing promissory note to Bearclaw in the amount of \$200,000 and 300,000 shares with a repayment schedule in accordance with the schedule of payments outlined above (Note 8). A 1.25% NSR was negotiated which may be purchased by the Company for \$1,250,000 at any time. This purchase agreement replaces the remaining terms of the option agreement between the parties dated January 4, 2007. The Company now owns a 100% interest in the property.

On November 12, 2008 the Company and GWR Resources Inc. ("GWR") entered into an option agreement whereby GWR can earn a 53% interest in the Man/Prime property for aggregate cash payments of \$500,000 (\$125,000 received) on or before January 10, 2010 and \$1,000,000 in exploration expenditures by December 31, 2009. GWR can earn a further 7% interest by expending a further \$500,000 in exploration expenditures by December 31, 2010. Subsequent to December 31, 2008, GWR expressed that it will not to proceed with the option agreement and has terminated the agreement.

e) Deer Lake and Friendly Lake Properties

The Company entered into an option agreement on April 15, 2007 with Electrum Resource Corp. ('Electrum') whereby the Company has been granted an option to acquire a 100% interest in the Deer Lake and Friendly Lake properties located near Kamloops, British Columbia. Consideration of \$825,000 (\$120,000 paid) and 860,000 common shares (285,000 issued) payable over four years. The Company must incur \$1,350,000 in exploration and development expenditures over a five year period of which \$350,000 is due on or before April 15, 2009 (completed). The properties are subject to a 2% net smelter return royalty of which 1% may be purchased by the Company of \$1,000,000 subject to further Exchange acceptance. During the year ended December 31, 2009, the Company elected not to proceed with the Deer and Friendly Lake property and accordingly impaired acquisition and deferred exploration costs of \$854,654 (2008 - \$78,115).

f) Pitt Island Property

The Company entered into an option agreement dated April 27, 2005, to acquire a 100% interest in the Pitt Island property subject to a 2% NSR. Half of the NSR can be purchased for \$500,000. Consideration for the option was a cash payment of \$15,000 (paid) and aggregate shares issuances of 400,000 common shares (issued). The Company's interest remains subject to the 2% NSR. The Company did not conduct any exploration work on the property during the year and does not anticipate any work programs in the near future. Therefore, the Company recognized an impairment charge of \$148,916 during the year ended December 31, 2008. As of December 31, 2009, the Company has no further interest in these claims.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

4. MINERAL PROPERTIES (Cont'd)

British Columbia (Cont'd)

g) **Rayfield Property**

The Company entered into an option agreement on April 21, 2006 to acquire a 100% interest, subject to a 2% NSR, in 29 mineral claims totaling 5,900 hectares located within the Clinton and Caribou mining district. Consideration for the option is total cash payments of \$50,000 due on April 12, 2012 (paid) and 550,000 common shares issued over a six year period (issued).

On November 15, 2007 the Company entered into an option agreement with Callinan Mines Limited ("Callinan") wherein Callinan can acquire a 60% interest for consideration of \$50,000 cash payment (received) and the issue of 100,000 common shares, 50,000 on TSX-VE approval (received) and 50,000 on or before May 30, 2008. In addition there were work commitment expenditures of \$600,000 on or before December 31, 2008. During May 2008, Callinan provided notice to the Company that it had elected not to proceed under the terms of the option agreement. As at December 31, 2008, the Company had determined that it did not anticipate expending funds in the near future to further explore the property. Accordingly, the Company recognized an impairment charge of \$173,913 during the year ended December 31, 2008, representing the acquisition and deferred exploration costs.

h) **Hefley Lake Property**

On February 6, 2007 the Company entered into an option agreement to acquire a 100% interest in the Hefley Lake property, for consideration of \$500,000 over eight years with first and second year payments of \$10,000 (paid) in each year. The property covers two tenures comprised of 58 units for 765.305 hectares. A 2% NSR was negotiated, and the Company has the option to purchase 1% of the NSR for a payment of \$5,000,000. In March 2009, the Company provided notice to the vendor that it would not proceed under the terms of the agreement. Accordingly, acquisition and deferred exploration costs of \$159,973 have been impaired as at December 31, 2008.

i) **Riley and Summer Properties**

The Company entered into an option agreement dated February 19, 2007 to earn a 100% interest in the Riley and Summer properties located east of Lac La Hache, subject to a 2% NSR. The Company is required to pay \$218,000 (\$68,000 paid) and issue 150,000 common shares (75,000 issued) over two years. The Company must also fund exploration and development work totaling at least \$900,000 by June 15, 2009 (not completed).

On July 14, 2008 the Company amended the terms of the Summer property and exercised the option for a cash payment of \$50,000 (paid) to acquire a 100% interest in the Summer Property. All terms and conditions regarding the Riley Property remain the same which include the option to acquire a 100% interest for consideration of \$109,000 cash payments (\$34,000 paid), work commitments of \$400,000 and the issuance of 75,000 common shares (50,000 issued). Although the results on the exploration work programs were encouraging, the Company does not anticipate any work programs or funds committed in the near future to further develop these properties and as such in March 2009 provided notice to the vendor it would not be proceeding under the terms of the agreement. Accordingly, the Company recognized an impairment charge of \$438,211 during the year ended December 31, 2008, representing the acquisition and deferred exploration costs.

j) **Other**

i) **Central BC**

As at December 31, 2009 the Company had staked various mineral concessions collectively referred to as Central BC claim block for staking fees of \$52,975. The Company does not anticipate expending funds in the near future to further develop the properties, accordingly, staking fees of \$52,975 have been impaired as at December 31, 2009.

ii) **Willow Creek (formerly referred to as IOCG claim block)**

As at December 31, 2009 the Company staked various claims and completed exploration work programs for total acquisition and exploration costs of \$249,442 (2008 - \$248,009).

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

4. MINERAL PROPERTIES (Cont'd)

British Columbia (Cont'd)

j) Other (Cont'd)

iii) Timothy Lake

Exploration has been carried out on this property (south of GWR's Spout Lake property). Although encouraged by the work completed to date, the Company does not anticipate expending funds in the near future to further explore the property.

iv) Canim Property

The Company entered into an option agreement on November 7, 2006 to acquire the remaining 50% joint venture interest in 8 mineral tenures totaling 66,000 hectares located within the Canim Lake and Murphy Lake area, east of Williams Lake. Consideration for the option is 500,000 common shares (issued).

The Company acquired through staking an additional 100,000 plus acres in the Canim Lake area in 2006 and during the period ended December 31, 2007, further ground was acquired.

On December 15, 2008 the Company entered into a purchase and sale agreement with Happy Creek Minerals to sell a 100% interest in six mineral tenures forming part of the Canim Lake claims for a cash payment of \$15,000 (paid) and the issuance of 50,000 common shares (received).

The Company does not anticipate further exploration of the remaining claims in the near future, and accordingly, has impaired acquisition and deferred explorations costs of \$204,879 as at December 31, 2008. As of December 31, 2009, the Company has no further interest in these claims.

v) Bonaparte Property

The Company does not anticipate expending funds in the near future to further explore the property, located north of the K-CR property. Accordingly, acquisition and deferred exploration costs of \$48,289 have been impaired as at December 31, 2008.

vi) King Property

The Company does not anticipate expending funds in the near future to further develop the property. Accordingly, acquisition and deferred exploration costs of \$1,693 have been impaired as at December 31, 2008. As of December 31, 2009, the Company has no further interest in these claims.

vii) K-CR Property

As at December 31 2008 the Company had staked various concessions and completed exploration work programs for \$70,134.

The Company entered into a purchase and sale agreement dated July 29, 2008 with Christopher James Gold Corp. ("CJGC"), in which CJGC has the option to acquire a 100% interest in the K-CR Claim group for consideration of \$125,000 (received) and an additional payment of \$140,000 due on or before August 1, 2009 (received). To secure the deferred payment, the Company received a promissory note from CJGC in the amount of \$140,000 due on or before August 1, 2009 (repaid). The note bears no interest until the maturity date, after which interest will accrue at 10% per annum. As at July 29, 2008 the Company had incurred a total of \$70,134 in acquisition and deferred exploration costs on the property. As a result, the Company recognized a gain on the sale of \$188,461 during the year ended December 31, 2008.

viii) Swan/Pat Property

The Company entered into a purchase agreement with Craig Lynes dated April 4, 2007 to acquire ten additional tenures within the Quesnel Trough collectively known as the Swan and Pat properties for a cash payment of \$30,000 (paid). The Company does not anticipate expending funds in the near future to further explore the property. Accordingly, acquisition and deferred exploration costs of \$30,403 have been impaired as at December 31, 2008. As of December 31, 2009, the Company has no further interest in these claims.

ix) Miscellaneous

As at December 31, 2008 the Company has impaired \$62,578 in staking fees and deferred exploration costs in relation to various mineral claims staked in 2007 and 2008.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

4. MINERAL PROPERTIES (Cont'd)

British Columbia (Cont'd)

j) Other (Cont'd)

viii) Canoe Hot Springs

The Company entered into an option agreement with Comstock Energy Inc. ("Comstock") dated January 14, 2008 to acquire a 100% interest in the Canoe Hot Springs Geothermal project. Under the terms of the agreement, the Company will pay Comstock \$1,000,000 for a 100% interest in the project and underlying lease and permit. The Company must make payments of \$20,000 on December 12, 2007 (paid), \$80,000 on January 31, 2008 (paid), \$100,000 on September 30, 2008 (paid), and \$800,000 on or before December 31, 2008 (not paid).

The Company also acquired additional rights to a geothermal lease located near the town of Valemount in eastern British Columbia for a cost of \$4,271 and completed exploration work to date for \$4,978.

The Company entered into an option agreement dated July 29, 2008 with CJGC, where CJGC can acquire a 100% interest in the Canoe Hot Springs Geothermal Project under the following terms: make payments of \$200,000 upon signing the agreement (paid) and an additional payment of \$200,000 (paid) on August 15, 2008, for a 50% interest in the project; make an additional \$100,000 payment on September 25, 2008 (paid) and a final payment of \$1,000,000 on December 15, 2008 for a 90% interest in the project (not paid). The Company will retain a 10% free-carried interest, which can be bought out by CJGC at any time over the next 5 years for \$2.5 million. CJGC elected not to proceed under the terms of the option agreement and subsequently the Company also elected not to proceed under the terms of its option agreement with Comstock. As at July 29, 2008 the Company had incurred a total of \$217,546 in acquisition and deferred exploration costs on the property. The Company received total proceeds of \$500,000 from CJGC, which resulted in the recognition of a \$282,454 gain upon disposal of the property during the year ended December 31, 2008.

ix) Dry Lake Property

The Company entered into a purchase agreement with Craig Lynes dated February 6, 2007 to acquire eight additional tenures within the Quesnel Trough collectively known as the Dry Lake property for a cash payment of \$52,500 (paid). The Company does not anticipate expending funds in the near future to further explore the property. Accordingly, acquisition and deferred exploration costs of \$93,347 have been impaired as at December 31, 2008. . As of December 31, 2009, the Company has no further interest in these claims.

x) Chorley Property

The Company entered into a purchase agreement with Chorley Mining Corporation dated February 7, 2008 to acquire two additional tenures collectively known as the Chorley property for a cash payment of \$50,000 (paid). The Company does not anticipate expending funds in the near future to further explore the property. Accordingly, acquisition and deferred exploration costs of \$50,000 have been impaired as at December 31, 2008. . As of December 31, 2009, the Company has no further interest in these claims.

Ontario

k) Aurora Extension Property

The Company entered into an option agreement dated February 11, 2004 to acquire a 100% interest, subject to a 2% NSR, in 26 mineral claim units located in the Porcupine Mining Division. Consideration for the option was aggregate cash payments totaling \$500,000 (\$18,000 paid) and work commitments of \$30,000 by September 15, 2004 (incurred). The Company and the vendor agreed on an early buyout of the option for a onetime cash payment of \$65,000 (paid) for a 100% interest in the Aurora Extension property subject to the 2% NSR payable to the vendor.

On October 14, 2008 the Company entered into an option agreement with Orsa Ventures Corp. ("Orsa"), whereby Orsa can acquire a 70% interest in the Aurora Extension. Consideration for the option is cash payments of \$95,000 over two years (\$20,000 received) and minimum of \$500,000 in exploration expenditures over three years. Orsa may earn a further 10% interest by completing an industry standard feasibility study. The claims are subject to a 2% net smelter return royalty payable to the original vendor. During the year ended December 31, 2009, Orsa elected not to proceed under the terms of the option agreement. Therefore, the Company recognized an impairment charge of \$193,160 during the year ended December 31, 2009.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

4. MINERAL PROPERTIES (Cont'd)

Quebec

I) Lithium Property

On August 22, 2009 the Company entered into an option agreement to acquire a 100% interest in 15 claims collectively referred to as the Lake La Motte South Property; 4 claims collectively referred to as the Lake La Motte East Property; 3 claims collectively referred to as the Landrienne South Property; 4 claims collectively referred to as the La Corne Valor East property and 2 claims collectively referred to as the La Corne Valor West Property, located in Quebec. The Company will pay aggregate cash payments of \$360,000 with \$20,000 due on signing (paid), \$40,000 (paid) and 1,000,000 shares (issued) due within 5 days of TSX Venture Exchange ("Exchange") approval, \$40,000 and 1,000,000 shares due within 6 months of Exchange acceptance (Note 16(e)), 1,000,000 shares within 1 year of Exchange acceptance, 1,000,000 within 2 years of Exchange acceptance, and \$260,000 due upon receipt of a feasibility study or before the fourth anniversary of the Exchange acceptance date. The Company must also incur exploration and development expenditures totaling \$300,000 within 18 months of Exchange approval. The properties are subject to a net smelter return ("NSR") royalty of 2% to the vendor. The Company has the right to acquire one-half of 1% of the NSR by paying the vendor \$1,000,000 at any time. A finder's fee of \$7,000 in cash and 210,000 shares was issued in connection with the option agreement.

Commitments

The Company must make the following option payments towards the acquisition of its mineral properties over the next five years:

		Expenditure		
		Cash	Commitments	Shares
2010	\$	140,000	\$ 300,000	2,000,000
2011		—	—	1,000,000
2012		—	—	—
2013		—	—	—
2014		—	—	—

5. MARKETABLE SECURITIES

	December 31, 2009			December 31, 2008		
	No. of Shares	Cost	Fair Value	No. of Shares	Cost	Fair Value
Nanika Resources Inc.	200,000	\$32,000	\$17,000	300,000	\$48,000	\$9,000
Happy Creek Minerals Ltd.	50,000	2,250	8,500	—	—	—
Total	250,000	\$34,250	\$25,500	300,000	\$48,000	\$9,000

6. EQUIPMENT

	December 31 2009		December 31 2008	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 12,722	\$ 7,060	\$ 5,662	\$ 8,198
Computer	2,250	1,297	953	1,400
Vehicle	28,688	16,266	12,422	22,844
Total	\$ 43,660	\$ 24,623	\$ 19,037	\$ 32,442

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

7. NOTES RECEIVABLE

As at December 31, 2008, the Company was owed \$140,000 from Christopher James Gold Corp. ("CJGC") which is unsecured, due on August 1, 2009, and bears no interest until the maturity date, after which interest will accrue at 10% per annum. This note was issued by CJGC as consideration for acquiring a 100% interest in the K-CR mineral property (Note 4(j)(vii)). On July 25, 2008, the note was discounted at a rate of 10% for a net present value of \$133,595. The carrying value at December 31, 2008 was \$139,391. During the year ended December 31, 2009, the Company record accretion expense of \$609 (2008 - \$5,499), increasing the carrying value of the note receivable to \$140,000 as at December 31, 2009 (2008 - \$139,391). On January 9, 2009 the Company received the \$140,000.

8. NOTES PAYABLE

As at December 31, 2009, the Company is indebted to Bearclaw Capital Corp. for \$100,000 (December 31, 2008 - \$212,862) consisting of cash owing. This note payable was issued as consideration for acquiring the remaining 49% interest in the Man/Prime property (Note 4 (d)). The amount is non-interest bearing, unsecured and is payable in accordance with the payment schedule set out in the mineral property purchase agreement dated August 11, 2008. In accordance with the agreement, the Company is required to make principal payments of \$100,000 (paid) and 150,000 shares on December 31, 2008 (issued), and \$100,000 and 150,000 shares (issued) on July 31, 2009. On August 11, 2008, the cash component of the note was discounted at a rate of 8% for a net present value of \$189,779 and the 300,000 shares were measured at their fair value of \$34,500. During the year ended December 31, 2009, the Company recorded accretion expense of \$4,388 (2008 - \$5,833), increasing the carrying value of the note payable to \$100,000 as at December 31, 2009 (2008 - \$195,612). Subsequent to the year ended December 31, 2009, the Company paid the remaining \$100,000 due on the note payable (Note 16).

9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2009, the Company incurred the following to directors, officers and private companies controlled by them: management fees - \$57,000 (2008 - \$60,000), rent \$11,700 (2008 - \$18,700), and deferred exploration costs - \$34,760 (2008 - \$Nil). These transactions were recorded at exchange value, which was the amount of consideration established and agreed to by the related parties.

As at December 31, 2009, the Company was indebted to the President of the Company in the amount of \$Nil (December 31, 2008 - \$92). As at December 31, 2009, the Company was owed an advance of \$4,114 (2008 - \$Nil) from the President of the Company, which is included in prepaids and advances.

As at December 31, 2009, the Company was indebted to a private company controlled by a director of the Company in the amount of \$32,334 (2008 - \$Nil) representing deferred exploration costs. This amount is included with accounts payable.

10. SHARE CAPITAL

a) Authorized

Unlimited common shares without par value.

b) Issued and outstanding

	Shares	Amount
Balance at December 31, 2007	45,027,306	\$ 8,357,028
Exercise of warrants	1,802,750	180,275
Issued for property	1,135,000	232,450
Recovery of share issue costs	—	700
Recovery of future income tax asset	—	(471,450)
Balance at December 31, 2008	47,965,056	\$ 8,299,003
Issued for property	2,250,000	111,250
Issued pursuant to finders' fees for property	210,000	12,600
Issued pursuant to private placement	26,740,000	1,327,000
Return to treasury	(9,000)	(900)
Share issue costs	—	(110,944)
Balance at December 31, 2009	77,156,056	\$ 9,638,009

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

10. SHARE CAPITAL (Continued)

b) Issued and outstanding (Continued)

During the year ended December 31, 2009 the Company:

- i) Issued 100,000 common shares with a fair value of \$4,000 pursuant to the Deer property (See note 4(e));
- ii) Issued 1,000,000 common shares pursuant to a private placement for 1,000,000 units at a price of \$0.04 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of \$0.10 for two years;
- iii) Issued 1,600,000 flow-through common shares pursuant to a non-brokered private placement for 1,600,000 units at a price of \$0.05 per unit. Each unit consists of one flow through common share and one non flow through share purchase warrant. Each warrant entitles the holder to purchase an additional non flow through common share at a price of \$0.10 for a period of two years. Cash payments of \$1,550 for share issue cost were paid on the transaction;
- iv) 9,000 common shares were returned to treasury that were issued in error pursuant to the exercise of warrants in the prior year;
- v) Issued 1,000,000 common shares with a fair value of \$30,000 pursuant to the Murphy Lake Property (See Note 4(b));
- vi) Issued 4,500,000 common shares pursuant to a non-brokered private placement for 4,500,000 units at a price of \$0.05 per unit for total proceeds of up to \$225,000. Each Unit consists of one common share plus one warrant entitling the investor to purchase one common share for a period of 24 months at a price of \$0.10 per share. A cash finder's fee was paid in the amount of \$2,000. Cash payments of \$2,095 for share issue cost were paid on the transaction;
- vii) Issued 150,000 common shares pursuant to the Man/Prime Property with a fair value of \$17,250 (See note 4(d));
- viii) Issued 1,000,000 common shares with a fair value of \$60,000 pursuant to the Lithium Property (See note 4(l));
- ix) Issued 210,000 common shares with a fair value of \$12,600 as a finder's fee pursuant to the Lithium Property (See note 4(l));
- x) Issued 7,000,000 flow-through common shares pursuant to a non-brokered private placement for 7,000,000 units at a price of \$0.05 per unit for total proceeds of \$350,000. Each unit consists of one flow through common share plus one non flow through warrant entitling the investor to purchase one common share for a period of 24 months at a price of \$0.10 per share. Finder's fee of \$14,000 cash and 630,000 finder's options exercisable into \$0.05 per unit for 2 years was paid to the agent. Each finder's fee unit is comprised of a common share and a share purchase warrant exercisable into common shares at \$0.10 per share for two years. The agent's options have a fair value of \$20,965. Cash commission of \$24,055 and share issue cost of \$3,000 was paid on the transaction;
- xi) Issued 8,100,000 flow-through common shares pursuant to a non-brokered private placement for 8,100,000 units at a price of \$0.05 per unit for total proceeds of up to \$405,000. Each unit consists of one flow through common share plus one half of one non flow through warrant. Each full warrant entitles the investor to purchase one common share for a period of 12 months at a price of \$0.20 per share. Finder's fee of \$17,500 cash and 350,000 finder's warrants exercisable into \$0.20 per unit for one year was paid to the agent. Each finder's fee unit is comprised of a common share and a share purchase warrant exercisable into common shares at \$0.20 per share for 1 year. The agent's options have a fair value of \$5,226. Cash commission of \$2,240 and share issue cost of \$7,690 was paid on the transaction;
- xii) Issued 3,740,000 common shares pursuant to a non-brokered private placement for 3,740,000 units at a price of \$0.05 per unit for total proceeds of \$187,000. Each unit consists of one common share plus one warrant entitling the investor to purchase one common share for a period of 12 months at a price of \$0.10 per share. Finder's fee of 28,000 finder's warrants exercisable into \$0.10 per unit for one year was issued to the agent. Each finder's fee unit is comprised of a common share and a share purchase warrant exercisable into common shares at \$0.10 per share for 1 year. The agent's options have a fair value of \$618. Cash share issue cost of \$935 was paid on the transaction;
- xiii) Issued 800,000 common shares pursuant to a non-brokered private placement for 800,000 units at a price of \$0.05 per unit for total proceeds of \$40,000. Each unit consists of one common share plus one warrant entitling the investor to purchase one common share for a period of 12 months at a price of \$0.10 per share. Finder's fee of \$2,800 cash and 56,000 finder's warrants exercisable into \$0.10 per unit for one year was issued to the agent. Each finder's fee unit is comprised of a common share and a share purchase warrant exercisable into common shares at \$0.10 per share for 1 year. The agent's options have a fair value of \$1,205. Cash share issue cost of \$200 was paid on the transaction;
- xiv) The Company paid \$4,865 for other share issue costs during the year.

During the year ended December 31, 2008, the Company:

- i) Issued 1,802,750 shares pursuant to the exercise of warrants at \$0.10 per share;
- ii) Issued 1,000,000 common shares with a fair value of \$216,500 pursuant to the Man/Prime property (See note 4(d));
- iii) Issued 110,000 common shares with a fair value of \$13,200 pursuant to the Deer/Friendly property (See note 4(e));
- iv) Issued 25,000 common shares with a fair value of \$2,750 pursuant to the Riley property (See note 4(i)).

CANDORADO OPERATING COMPANY LTD.**Notes to Financial Statements**

Years ended December 31, 2009 and 2008

10. SHARE CAPITAL (Continued)**c) Stock options**

The Company's Board of Directors approved a stock option plan at the Company's annual general meeting on September 5, 2008 and January 15, 2010, in accordance with the policies of the TSX Venture Exchange (the "Exchange"). The Board of Directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding common shares from time to time. The exercise price will not be less than the market price of the common shares less applicable discounts permitted by the Exchange. The options granted under this plan are exercisable over a period not exceeding five years.

	December 31, 2009		December 31, 2008	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of year	4,700,000	\$0.11	4,175,000	\$0.22
Granted	2,630,000	\$0.10	1,000,000	\$0.10
Exercised	—	—	—	—
Cancelled / Expired	—	—	(475,000)	\$0.21
Balance, end of year	<u>7,330,000</u>	<u>\$0.10</u>	<u>4,700,000</u>	<u>\$0.11</u>

Of the 2,630,000 stock options granted during the year, 630,000 was related to stock options granted to agent's as finder's fees on private placements.

Stock options outstanding and exercisable as at December 31, 2009 are as follows:

Expiry Date	Exercise Price	Number of Options
February 3, 2010 ⁽²⁾	\$ 0.125	650,000
February 19, 2011	\$ 0.125	775,000
March 9, 2011	\$ 0.125	625,000
November 16, 2011	\$0.05	630,000
January 12, 2012 ⁽¹⁾	\$ 0.10	700,000
February 13, 2012 ⁽¹⁾	\$ 0.10	500,000
February 22, 2012 ⁽¹⁾	\$ 0.10	350,000
August 1, 2012 ⁽¹⁾	\$0.10	50,000
December 12, 2012 ⁽¹⁾	\$0.10	50,000
September 25, 2013	\$0.10	1,000,000
December 23, 2014	\$0.10	2,000,000
		<u>7,330,000</u>

(1) On September 25, 2008, the Company re-priced 1,650,000 stock options with an exercise price between \$0.23 - \$0.42 per share to an exercise price of \$0.10 per share and received shareholder approval at its annual general meeting held on January 10, 2010.

(2) Subsequently expired without exercise

CANDORADO OPERATING COMPANY LTD.**Notes to Financial Statements**

Years ended December 31, 2009 and 2008

10. SHARE CAPITAL (Continued)**d) Stock based compensation**

During the year ended December 31, 2009, the Company issued 2,000,000 (2008 – 1,000,000) options to directors and consultants at an exercise price of \$0.10 per share. The fair value of stock-based compensation in the amount of \$74,478 (2008 - \$72,240) has been recorded as an expense with the offsetting entry to contributed surplus. These values are estimated at the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2009	2008
Expected life (years)	5.00	5.00
Risk-free interest rate	2.70%	3.13%
Volatility	116%	93%
Dividend yield	Nil	Nil

During the year ended December 31, 2009, the Company issued 630,000 (2008 – Nil) options to agent's at an exercise price of \$0.05 per share and 434,000 warrants to agent's at an exercise price of \$0.10 and \$0.20 per share. The agent's options and warrants were awarded as finder's fee on private placements issued during the year. The fair value of the agent's options and warrants in the amount of \$28,014 (2008 - \$Nil) has been recorded as an equity transaction with an entry to share issue cost with the offsetting entry to contributed surplus. These values are estimated at the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2009	2008
Expected life (years)	1.59	—
Risk-free interest rate	1.23%	—
Volatility	147%	—
Dividend yield	Nil	—

During December 31, 2009 the Company re-priced Nil (2008 - 1,650,000) options with exercise prices of \$Nil (2008 - \$0.23 - \$0.42) per share to an exercise price of \$Nil (2008 - \$0.10 per share). The incremental fair value of stock-based compensation in the amount of \$Nil (2008 - \$32,312) was recorded as an expense with the offsetting entry to contributed surplus. This incremental value was measured by the difference between the fair value of the modified stock options and the value of the old options immediately before its terms were modified. This value is estimated at the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2009	2008
Expected life (years)	—	3.39
Interest rate	—	3.15%
Volatility	—	97%
Dividend yield	—	Nil

e) Contributed Surplus

Contributed surplus represents accumulated stock-based compensation expense, reduced by the fair value of the stock options exercised. Details are as follows:

	December 31 2009	December 31 2008
Balance, beginning of year	\$ 1,243,907	\$ 1,139,355
Fair value of stock options granted	74,478	72,240
Fair value of agent's options and warrants	28,014	—
Incremental fair value of modified stock options	—	32,312
Balance, end of year	\$ 1,346,399	\$ 1,243,907

CANDORADO OPERATING COMPANY LTD.**Notes to Financial Statements**

Years ended December 31, 2009 and 2008

10. SHARE CAPITAL (Continued)**f) Share purchase warrants**

Details of share purchase warrant activity during the year ended December 31, 2009 is as follows:

	December 31 2009	December 31 2008
Balance, beginning of year	10,178,164	15,823,182
Issued	23,124,000	—
Expired	(10,178,164)	(3,851,268)
Exercised	—	(1,793,750)
Balance, end of year	23,124,000	10,178,164

During the year ended December 31, 2009, 10,178,164 share purchase warrants at exercise prices of ranging \$0.30 to \$0.65 per share expired without exercise.

Of the 23,124,000 share purchase warrants issued during the year, 1,064,000 was related to share purchase warrants issued to agent's as finder's fees on private placements.

As at December 31, 2009 the following share purchase warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants Outstanding
July 6, 2011	\$0.10	1,000,000
September 1, 2011	\$0.10	1,600,000
September 15, 2011	\$0.10	4,500,000
November 16, 2011	\$0.10	7,000,000
December 1, 2010	\$0.10	3,768,000
December 1, 2010	\$0.20	4,400,000
December 21, 2010	\$0.10	856,000
		23,124,000

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

	December 31 2009	December 31 2008
Balance, beginning of year	\$ (39,000)	\$ 37,323
Reclassification of realized gains on marketable securities	(2,540)	(12,587)
Change in unrealized gain (loss) on available-for-sale investments, net of income taxes	32,790	(63,736)
Balance, end of year	\$ (8,750)	\$ (39,000)

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

12. CONTINGENCIES AND COMMITMENTS

- a) The Company is in receipt of a letter from the British Columbia Ministry of Energy, Mines and Petroleum regarding the old Hedley heap leach operation by the Company's predecessor company, Candorado Mines Ltd. Several environmental issues regarding the site cleanup were addressed in a letter dated November 21, 2005 and in an on-site meeting on November 22, 2005. The Company had been given a November 24, 2005 deadline to provide a clean-up plan but has advised the Ministry that in respect to its financial resources, this plan could not have been delivered on time. The Company does not admit or deny any liability regarding the responsibility for the clean-up and has engaged legal counsel regarding this matter. The Ministry of Energy, Mines & Petroleum Resources is proceeding with the required work and may initiate proceedings to recover the costs incurred. The Company is unable to determine the amount of potential cost, if any, and therefore has not recognized any amount related to this matter as at December 31, 2009.
- b) During the year ended December 31, 2008, the Company entered into a two year lease agreement with a private company controlled by a director of the Company for office space commencing September 1, 2008 and ending August 31, 2010. The Company is committed to making lease payments in 2008 through 2010 of \$40,200 per annum.

13. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Credit Risk

The Company's credit risk is primarily attributable to cash, taxes recoverable and other receivables. The Company has no material concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to taxes recoverable and other receivables is remote. Management does not believe that such receivables are impaired. Cash consists of bank deposits which are held with a Canadian Chartered Bank, from which management believes the risk of loss is remote.

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2009, the Company had a cash balance of \$796,155 (2008 - \$52,367) and current liabilities of \$265,571 (2008 - \$518,696). All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The ability of the Company to continue to pursue its exploration activities and maintain its working capital is dependent on its ability to secure additional equity or other financing.

c) Interest Rate Risk

The Company has cash balances and no interest-bearing debt.

d) Foreign Currency Risk

The Company does not have foreign operations, nor does it have risk arising from changes in foreign currency exchange rates. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

e) Equity price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

f) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

g) Sensitivity analysis

As at December 31, 2009 the carrying value amounts of the Company's financial instruments approximates their fair value.

CANDORADO OPERATING COMPANY LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

14. CAPITAL DISCLOSURES

The Company's capital currently consists of common shares, options and warrants (see Note 10). The Company's objectives when managing capital are to safeguard the Company'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 optimizes the costs of capital at an acceptable risk. The Company 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 Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company is currently assessing financing alternatives for its exploration plans and operations through its current operating period.

15. INCOME TAXES

The Company has accumulated non-capital losses for tax purposes of approximately \$2,406,000 (2008 – 2,137,000), available to reduce income otherwise taxable in future years. These losses, if not used, will expire as follows:

December 31, 2010	\$	82,000
December 31, 2014		337,000
December 31, 2015		217,000
December 31, 2026		298,000
December 31, 2027		638,000
December 31, 2028		494,000
December 31, 2029		<u>340,000</u>
	\$	<u>2,406,000</u>

Future income tax assets and liabilities are recognized for temporary differences between the carrying amounts of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized.

During the year ended December 31, 2008, the Company filed renunciations for 3,824,332 flow-through shares for gross proceeds of \$1,520,950. The proceeds from these share issues must be used for qualifying exploration expenditures, which are renounced by the Company in favor of the investors purchasing such shares, and such expenditures are not available to the Company. During the year ended December 31, 2009, the Company recorded a recovery of future income tax assets with a corresponding reduction in share capital of \$Nil (2008 - \$471,450) with respect to renunciations.

CANDORADO OPERATING COMPANY LTD.**Notes to Financial Statements**

Years ended December 31, 2009 and 2008

15. INCOME TAXES (Cont'd)

The reconciliation of income tax benefit computed at statutory rates to the reported income tax benefit is as follows:

	2009		2008
Loss before income taxes	\$ (1,578,385)	\$	(1,704,000)
Effective tax rate	30.00%		31.00%
Expected tax recovery	\$ (474,000)	\$	(528,000)
Stock-based compensation	22,000		32,000
Other permanent and temporary differences	350,000		342,000
Unrecognized (utilization of) future tax benefits	—		(6,000)
Expiration of non-capital losses	(21,000)		(169,000)
Change in enacted tax rates	2,000		(15,000)
Change in valuation allowance	121,000		(120,000)
Future income tax recovery	\$ —	\$	(464,000)

Future income tax assets are calculated as follows:

	2009		2008
Future income tax assets (liabilities) relate to:			
Loss carry forwards	\$ 601,000	\$	598,000
Mineral resource related deductions	(267,000)		(646,000)
Capital assets and other	48,000		61,000
Potential future tax benefit	\$ 382,000	\$	13,000
Valuation allowance	(382,000)		(13,000)
Future income tax assets recognized	\$ —	\$	—

16. SUBSEQUENT EVENTS

Subsequent to the period ended December 31, 2009, the following transactions have occurred:

- a) On January 14, 2010, the Company sold 50,000 shares of Happy Creek Minerals Ltd. for proceeds of \$12,995.
- b) On February 3, 2010, a total of 650,000 stock options at an exercise price of \$0.125 expired unexercised.
- c) On February 12, 2010 paid the final instalment of \$100,000 of the note payable (Note 8).
- d) On February 16, 2010 the Company completed a non-brokered private placement for 2,000,000 units at a price of \$0.05 per unit ("Unit"). Each Unit will consist of common share and one common share purchase warrant entitling the holder to acquire one additional common share at a price of \$0.10 per share for a period of 24 months. Finder's fees in accordance with the Policies of the TSX Venture Exchange (the "Exchange") of \$4,000 cash were paid.
- e) On February 26, 2010, the Company issued 1,000,000 shares and on March 3, 2010 paid the \$40,000 option payment in relation to the Lithium property option agreement (Note 4(l)).
- f) On March 30, 2010, the Company amended the April 26, 2006, Serb Creek mineral property option agreement with the original vendors to amend the terms of the remaining commitments on the agreement. In consideration for \$15,000, the vendors agreed to relinquish any interest in the property, specifically the 2% net smelter return royalty. Also, the vendors agreed not to take any action against or seek any further compensation from the Company (Note 4(a)).