

**ADVENTURE GOLD INC.**  
**(A development stage Company)**

**Interim Financial Statements**

**For the three months ended October 31, 2009**

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## Management's Responsibility for Financial Statements

To the Shareholders and Directors of Adventure Gold Inc.

The accompanying unaudited financial statements for the three months ended October 31, 2009 and the notes thereto are the responsibility of the management of Adventure Gold Inc. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements where appropriate.

Management has developed and maintained a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

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

The auditors of Adventure Gold Inc. have not performed a review of the interim financial statements for the three month period ended October 31, 2009.

On recommendation of the Audit Committee, the Board of Directors approved the Company's financial statements.

(signed) Marco Gagnon  
Marco Gagnon, CEO

(signed) Khadija Abounaim  
Khadija Abounaim, CFO

December 17, 2009

**Adventure Gold Inc.**

(A development stage company)

Balance Sheets

As at

	October 31, 2009	July 31, 2009
	\$	\$
	(Unaudited)	(Audited)
<b>ASSETS</b>		
Current assets		
Cash	204,666	356,118
Accounts receivable	31,550	81,886
Due from related party (Note 8)	38,110	-
Tax credit and mining duties receivable	-	99
Prepaid expenses	25,980	24,677
	<u>300,306</u>	<u>462,780</u>
Property, plant and equipment (Note 5)	974	1,049
Mineral exploration properties (Note 6)	559,371	529,668
Deferred exploration expenses (Note 6)	2,595,181	2,467,076
	<u>3,455,832</u>	<u>3,460,573</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	58,279	43,990
Amount due to related party (Note 8)	50,690	29,319
	<u>108,969</u>	<u>73,309</u>
Future income tax liability	459,111	482,601
	<u>3,455,832</u>	<u>3,460,573</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	3,127,631	3,117,131
Warrants (Note 9)	181,472	226,658
Agent options (Note 9)	51,904	51,904
Contributed surplus (Note 10)	365,700	307,497
Deficit	(838,955)	(798,527)
	<u>2,887,752</u>	<u>2,904,663</u>
	<u>3,455,832</u>	<u>3,460,573</u>

*Going concern assumption (Note 2)**The accompanying notes are an integral part of these unaudited interim financial statements.*

On behalf of the Board,

(signed) "Marco Gagnon"

Marco Gagnon, Director

(signed) "Stéphane Le Bouyonnec"

Stéphane Le Bouyonnec, Director

**Adventure Gold Inc.**

(A development stage Company)

Operations and Comprehensive Loss (unaudited)

	Three months Ended October 31, 2009	Three months Ended October 31, 2008
	\$	\$
Operating expenses		
Management and consulting fees	22,500	37,924
Stock-based compensation	-	28,397
Salaries and benefits	1,896	16,295
Travel and promotion	2,337	3,489
Report to shareholders	1,110	4,407
Professional fees	21,584	6,395
General expenses	13,254	17,048
Amortization of property, plant and equipment	75	802
Write-down of deferred exploration expenses	-	935
Flow-through interest and tax expense (Note 7)	1,882	10,066
	<hr/>	<hr/>
Loss from operations	64,638	125,758
Other income		
Interest income	720	7,025
	<hr/>	<hr/>
Loss before income taxes	63,918	118,733
Recovery of future income taxes (Note 12)	(23,490)	-
	<hr/>	<hr/>
Net loss and comprehensive loss	40,428	118,733
	<hr/> <hr/>	<hr/> <hr/>
Basic and diluted net loss per common share	0.001	0.006
	<hr/> <hr/>	<hr/> <hr/>
Basic and diluted weighted average number of common shares outstanding	31,324,538	18,914,270
	<hr/> <hr/>	<hr/> <hr/>

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

**Adventure Gold Inc.**

(A development stage Company)

Mineral Exploration Properties and Deferred Exploration Expenses (unaudited)

	Three months Ended October 31, 2009	Three months Ended October 31, 2008
	\$	\$
Balance, beginning of the period	<u>2,996,744</u>	<u>1,132,851</u>
Additions		
Drilling	323	156,615
Project consulting	76,486	62,907
Geological survey	9,135	40,497
Geochemical Survey	1,334	-
Report preparation	20,672	623
Renewal of licenses and permits	7,459	1,238
General field expenses	<u>12,696</u>	<u>13,894</u>
	128,105	275,774
Write-down of deferred exploration expenses	-	(935)
Acquisition of mineral exploration properties	<u>29,703</u>	<u>17,500</u>
	<u>157,808</u>	<u>292,339</u>
Balance, end of the period	<u><u>3,154,552</u></u>	<u><u>1,425,190</u></u>

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

**Adventure Gold Inc.**  
(A development stage Company)  
Deficit (unaudited)

	Three months Ended October 31, 2009	Three months Ended October 31, 2008
	\$	\$
Deficit, beginning of the period	798,527	538,456
Net loss	<u>40,428</u>	<u>118,733</u>
Deficit, end of the period	<u><u>838,955</u></u>	<u><u>657,189</u></u>

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

**Adventure Gold Inc.**

(A development stage Company)

Cash Flows (unaudited)

	Three months Ended October 31, 2009	Three months Ended October 31, 2008
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(40,428)	(118,733)
Non-cash items		
Amortization of property, plant and equipment	75	802
Stock-based compensation	-	28,397
Write-down of deferred exploration expenses	-	935
Recovery of future income taxes	(23,490)	-
Changes in non-cash working capital items (Note 11)	40,195	111,333
	<u>(23,648)</u>	<u>22,734</u>
Cash flows (used in) from operating activities		
	<u>(23,648)</u>	<u>22,734</u>
<b>INVESTING ACTIVITIES</b>		
Mineral exploration properties and deferred exploration expenses	(127,903)	(222,583)
Tax credits and mining duties received	99	2,446
	<u>(127,804)</u>	<u>(220,137)</u>
Cash flows used in investing activities		
	<u>(127,804)</u>	<u>(220,137)</u>
<b>FINANCING ACTIVITIES</b>		
Common shares issued	-	550,000
Share issue costs	-	(33,024)
	<u>-</u>	<u>516,976</u>
Cash flows from financing activities		
	<u>-</u>	<u>516,976</u>
(Decrease) increase in cash and cash equivalents	(151,452)	319,573
Cash and cash equivalents, beginning of the period	356,118	1,150,106
	<u>204,666</u>	<u>1,469,679</u>
Cash and cash equivalents, end of the period		
	<u>204,666</u>	<u>1,469,679</u>
<i>Cash and cash equivalents:</i>		
Cash	204,666	870,455
Cash equivalents	-	599,224
	<u>204,666</u>	<u>1,469,679</u>
<i>Non-cash supplemental information:</i>		
Deferred exploration expenses included in accounts payable	33,920	139,776
Common shares issued to acquire interest in mineral properties	10,500	17,500
Warrants issued to acquire interest in mineral properties	13,017	-

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

## **1. Governing statutes and nature of operations**

Adventure Gold Inc. (the "Company" or "Adventure") was incorporated under the Canadian Business Corporations Act on February 9, 2007. Its current operations involve the acquisition, exploration and development of mineral resource properties. The Company is in the development stage and does not derive any revenue from its properties.

Until it is determined that the Company's properties contain mineral reserves or resources that can be economically mined, they are classified as mineral exploration properties. The recoverability of mineral exploration property costs and deferred exploration expenses is dependent on: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals; and attaining profitable production.

## **2. Going concern assumption**

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on the basis of a going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The carrying amounts of assets, liabilities and expenses presented in these financial statements and the balance sheet classifications have not been adjusted as would be required if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these unaudited interim financial statements, adjustments to the carrying value of assets and liabilities and expenses and balance sheet classification, which could be material, may be necessary.

At October 31, 2009, the Company had a working capital of \$191,337 including \$204,666 in cash, and together with the proceeds from the non-brokered private placements that the Company completed subsequent to quarter-end for total gross proceeds of \$899,970 (Note 15), the Company anticipates having sufficient funds to meet its flow-through commitment to spend \$201,802 by December 31, 2009 (Note 7), and meet its corporate and administrative expenses for several months. However, the Company will require additional financing, through various means including but not limited to equity financing, to secure sufficient funding for its existing commitments for exploration programs and cash payments (Note 6), and meet all of its general and administrative costs. There is no assurance that these initiatives will be successful and there remains uncertainty as to the ability of the Company to continue operating as a going concern for the next twelve months.

## **3. Accounting changes**

On August 1, 2009, the Company adopted the amendments by the Canadian Institute of Chartered Accountants ("CICA") of Section 3862, Financial Instruments – Disclosures, which apply to financial statements relating to fiscal years ending after September 30, 2009, and which requires to include additional disclosures about fair value measurement for financial instruments and liability risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data. Level 3 valuations are based on inputs that are not based on observable market data.

**Adventure Gold Inc.**

(A development stage Company)

Notes to Financial Statements (unaudited)

October 31, 2009

**3. Accounting changes (continued)**

The Accounting Standards Board of the CICA requires all public companies to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal period. The transition from Canadian Generally Accepted Accounting Principles to IFRS will be applicable for the Company's first quarter period ending October 31, 2011. The Company is assessing the impact of implementing IFRS and is developing plans to facilitate a timely conversion.

**4. Financial instruments, risk management and capital management*****Financial instruments***

Given that they will mature shortly, the fair value of accounts payable and accrued liabilities, and amount due from / to a related party approximates their carrying value. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

***Risk management***

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk, and interest rate risk.

***Credit risk***

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash, commodity taxes receivable and due from related party. To mitigate exposure to credit risk, the Company has revised its policy to limit the concentration of credit risk, to ensure counterparties demonstrate minimum acceptable worthiness. The maximum credit risk to which the Company is exposed is represented by the carrying value of its cash, commodity taxes receivable and due from related party.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods. The Company's working capital totals \$191,337 at October 31, 2009, including cash of \$204,666 and current liabilities totalling \$108,969 due within the next twelve months (of which \$50,690 is payable in shares in lieu of cash, see Note 8). Given its limited financial resources, the Company's ability to meet its commitments for exploration programs and cash payments (Note 6), and meet all of its general and administrative costs on a continuous basis is dependant on its obtaining additional financing, through various means but not limited to equity financing (Note 2). The amount and timing of additional funding will be impacted by, among others, the strength of the capital markets.

**4. Financial instruments, risk management and capital management (continued)**

***Interest rate risk***

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk.

The Company's policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments (such as investment savings accounts, banker's acceptances, term deposits, guaranteed investment certificates or treasury bills) with maturities of 180 days or less from the original date of acquisition.

***Capital management***

The Company manages its capital to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders as well as ensuring that all flow-through monies obtained are utilized in exploration activities and spent by the required deadline. In the management of capital, the Company includes the components of shareholders' equity. As long as the Company is in the exploration stage of its mining properties, it is not the intention of the Company to contract additional debt obligations to finance its work programs. 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 or acquire or dispose of assets. While the Company is not exposed to any external capital requirements, neither regulatory nor contractual, funds from flow-through financing to be spent on the Company's exploration properties are restricted for this use. In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

**5. Property, plant and equipment**

	October 31, 2009		July 31, 2009	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Office furniture and equipment	1,498	524	974	1,049

The cost and accumulated amortization were \$7,313 and \$6,264 respectively as at July 31, 2009.

**6. Mineral exploration properties and deferred exploration expenses**

	October 31, 2009		July 31, 2009	
	Mineral Exploration Properties \$	Deferred Exploration Expenses \$	Mineral Exploration Properties \$	Deferred Exploration Expenses \$
a) Beaufor West	8,421	171,294	8,421	170,778
a) Beaufor North	8,421	176,267	8,421	175,360
a) Lapaska	72,982	804,923	72,982	779,676
a) Dubuisson	92,631	161,190	92,632	132,768
b) Pascalis-Colombière	62,500	389,004	62,500	378,177
c) Meunier 144	216,500	156,571	216,500	156,571
d) Senore	51,000	638,664	51,000	636,418
e) Abitibi Gold	39,489	57,418	13,528	20,941
f) Abitibi Base Metal	7,427	39,850	3,684	16,387
<b>TOTAL</b>	<b>559,371</b>	<b>2,595,181</b>	<b>529,668</b>	<b>2,467,076</b>

**a) Beaufor West, Beaufor North, Lapaska and Dubuisson**

On February 26, 2007, the Company signed an agreement with Q.E.X. Resources Inc. whereby the Company acquired a 100% interest in four properties: Beaufor West, Beaufor North, Lapaska and Dubuisson, situated in the north-western part of Québec, in exchange for the issuance of 1,824,455 common shares, valued at \$182,456. Beaufor is subject to a royalty of 1.5% Net Smelter Return (“NSR”), shared equally between Albert Audet (who is not related to André Audet, Chairman of the Board of Directors) and Geotest Corporation Ltd., and affecting also all claims acquired through staking within two miles of the Property. Dubuisson is subject to a royalty of \$25 on the first 30,000 ounces of gold extracted from the Property and thereafter subject to a 2% NSR royalty, of which half (1%) may be purchased within two (2) years after commercial production, with a right of first refusal of ninety (90) days on the second half.

**b) Pascalis-Colombière**

On March 17, 2008, the Company signed an agreement with IAMGOLD Quebec Management Inc. (“IAMGOLD”) to acquire a 100% interest in Pascalis-Colombière gold property located north-east of Val d’Or, Québec in exchange for the issuance of 250,000 common shares. The shares were issued on March 17, 2008 at a price of \$0.25 per share. The property is subject to a 2% NSR of which half (1%) may be purchased at any time by the Company for \$1 million. The property is also subject to a 1% gross sale royalty and a 20% net proceeds of production royalty on some of the property’s claims, payable to Alain Garneau and Tiomin Resources Inc., respectively.

**6. Mineral exploration properties and deferred exploration expenses (continued)**

**c) Meunier 144**

On July 8, 2008, the Company entered into an option agreement with a group of prospectors in order to acquire a 100% interest in the Meunier 144 gold property located 19 kilometers west of Timmins, Ontario, by paying \$100,000, issuing 1,000,000 common shares and incurring \$2,000,000 in exploration expenses over a period of five years.

As at October 31, 2009, the remaining commitments are as follows:

	Cash payments	Shares	Exploration Expenses
	\$		\$
On or before July 8, 2010	25,000	150,000	500,000
On or before July 8, 2011	25,000	-	600,000
On or before July 8, 2012	-	-	150,000
On or before July 8, 2013	-	-	600,000
	50,000	150,000	1,850,000

The property is also subject to a 2.5% NSR of which a 1% NSR may be purchased at any time by the Company for \$2,000,000.

**d) Senore**

On July 8, 2008, the Company signed an option agreement with Peter Bambic (the "Optionor") in order to acquire a 100% interest in the Senore property, located 22 kilometres northeast of Val d'Or, Québec by paying \$200,000, issuing 1,000,000 common shares and incurring \$400,000 in exploration expenses over a period of three years.

As at October 31, 2009, the remaining commitments are as follows:

	Cash payments	Shares	Exploration expenses
	\$		\$
On or before July 8, 2010	30,000	300,000	250,000
On or before July 8, 2011	150,000	500,000	-
	180,000	800,000	250,000

Furthermore, the Optionor retains a 3% NSR on two mineral claims and 2% NSR on the balance of the Property. The Company has the right to buy back at any time 50% of the NSR for, \$2,000,000 and \$1,000,000, respectively.

**e) Abitibi Gold**

Abitibi Gold properties consist of several mining claims that the company acquired by staking and map-designation in 2008 and 2009, located in the north-western part of Quebec, in the Abitibi region.

In addition, on August 12, 2009, the Company acquired from five independent prospectors (the "Vendors"), a 100% interest in the Bruneau Gold Property, located 45 kilometres southeast of Matagami, Quebec, in consideration for a cash payment of \$2,000 and the issuance of 100,000 common shares (Valued at \$10,500) and 100,000 warrants at an exercise price of \$0.25 until August 12, 2012 (Valued at \$13,107). An area of interest in this property is subject to a 2% NSR in favour of the Vendors, of which 1% can be bought back by the Company at any time by paying the Vendors \$500,000.

**Adventure Gold Inc.**

(A development stage Company)

Notes to Financial Statements (unaudited)

October 31, 2009

**6. Mineral exploration properties and deferred exploration expenses (continued)****f) Abitibi Base Metal**

Abitibi Base Metal properties consist of several mining claims that the Company acquired by staking and map-designation in 2008 and 2009 located in the Abitibi region.

**7. Flow-through interest and tax expense**

The Company is permitted, under Canadian income tax legislation, to renounce flow-through related resources expenditures to investors in advance of the Company incurring the expenditures. In accordance with this legislation, the Company has twelve months following the effective date of renunciation to incur the expenditures. The Company begins incurring interest charges for unspent funds after one month.

During fiscal 2009, the Company filed for flow-through renunciations totalling \$1,150,600 and recorded the related tax impact of \$309,500 as a reduction of share capital and an increase in future income tax liability.

As at October 31, 2009, the Company had incurred \$948,798 of the required flow-through expenditures and included in accounts payable and accrued liabilities a \$11,882 Part XII.6 tax accrual and tax on expenses deemed incurred in Quebec on the monthly unspent balance of flow-through funds. The Company has until December 31, 2009 to spend the remaining \$201,802 of flow-through funds.

**8. Related party transactions**

Under a cost sharing agreement between the Company and Everton Resources Inc. ("Everton"), the Company reimburses the cost of the Company's portion of shared salaries and benefits, rent and office expenses paid by Everton (which shares common management). The agreement also provides the Company with the option to pay Everton in common shares in lieu of cash, with the Insider management costs being conditional to the Company shareholders' approval (\$31,150 as at October 31, 2009). During the three-month period ended October 31, 2009, the cost of shared salaries and benefits was \$22,500 (2008 - \$23,424) and rent and office expenses were \$1,500 (2008 - \$3,276). Included in the amount due to related party is \$50,690 due to Everton (\$29,319 as at July 31, 2009).

During the year, Focus Metals Inc. ("Focus") (which shares common management) was invoiced by the Company, at cost, for exploration expenses incurred on behalf of Focus on the Fosse Labrador project. Included in amount due from related party is \$38,110 due from Focus (\$Nil as at July 31, 2009).

These transactions were measured at the exchange amount, which is the amount established and accepted by the parties and were conducted in the normal course of business.

The amounts due to related parties are without interest and are due by end of December 2009.

**9. Share capital**

**a) Authorized**

Unlimited number of common shares without par value.

**Issued**

	Number of shares	\$
Balance - July 31, 2009	31,236,495	3,117,131
Shares issued to acquire interest in mineral property (Note 6)	100,000	10,500
Balance - October 31, 2009	<u>31,336,495</u>	<u>3,127,631</u>

**b) Warrants**

	Number of warrants	Weighted average exercise price \$	Black- Scholes Value \$
Balance – July 31, 2009	3,877,356	0.21	226,658
Granted (Note 6)	100,000	0.25	13,017 (1)
Expired	(554,528)	0.25	(58,203)
Balance – October 31, 2009	<u>3,422,828</u>	<u>0.20</u>	<u>181,472</u>

(1) The fair value of the granted warrants was estimated at the date of grant using the Black Scholes option-pricing model with the following assumptions: risk free interest rate of 1.81%, expected life of option of 3 years, annualized volatility rate of 135% and expected dividend rate of 0%

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

Description	Number of warrants	Exercise Price \$	Expiry Date
October 2008 private placement	2,042,855	0.25	October 30, 2010
December 2008 private placement – Agent warrants	427,700	0.14	June 30, 2010
February 2009 private placement	852,273	0.14 (1st year) 0.20 (2nd year)	February 23, 2011
August 2009 acquisition of the Bruneau Gold property	100,000	0.25	August 12, 2012
	<u>3,422,828</u>		

**9. Share Capital (continued)**

**c) Agent option**

	Number of agent options	Weighted average exercise price \$	Black- Scholes Value \$	Expiry Date
Balance – July and October 31, 2009	392,857	0.14	51,904	October 30, 2010

**d) Stock option plan**

The following table reflects the continuity of stock options for the period ended October 31, 2009 :

	Number of options	Weighted average exercise price \$
Balance – July 31, 2009	1,590,000	0.23
Forfeited	(10,000)	0.14
Balance – October 31, 2009	1,580,000	0.23

As at October 31, 2009, the following options were outstanding and exercisable:

Exercise price range	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable
\$0.14 - \$0.265	1,580,000	3.44 years	\$0.23	1,580,000

**10. Contributed surplus**

Contributed surplus consists of the following components:

	Three months Ended October 31, 2009	Three months Ended October 31, 2008
Balance - Beginning of period	307,497	193,293
Stock-based compensation	-	28,397
Fair value of expired warrants (Note 9)	58,203	62,000
Balance - End of period	365,700	283,690

## 11. Changes in non-cash working capital items

Changes in the non-cash working capital consists of the following items:

	Three months Ended October 31, 2009	Three months Ended October 31, 2008
	\$	\$
Accounts Receivable	50,336	73,229
Prepaid expenses	(1,303)	4,161
Amounts due from related party	(38,110)	-
Accounts payable and accrued liabilities	7,901	33,943
Amounts due to related party	21,371	-
Total changes in non-cash working capital	<u>40,195</u>	<u>111,333</u>

## 12. Income taxes

A reconciliation of the combined Canadian federal and provincial income tax rate with the Company's effective tax rate is as follows:

	Three months ended October 31, 2009	Year ended July 31, 2009
	\$	\$
Loss before income taxes	(63,918)	(371,122)
Expected statutory rate (Federal 19.08%, Quebec 11.82%)	30.90%	30.90%
Expected recovery of income tax	(19,751)	(114,677)
Stock-based compensation	-	16,131
Share issue costs	(7,332)	(29,329)
Effect of rate change on net loss for tax purposes	3,491	16,373
Other	102	451
Recovery of income taxes	<u>(23,490)</u>	<u>(111,051)</u>

The primary temporary differences which give rise to future income taxes (recovery) at October and July 31, 2009 are as follows:

	Three months ended October 31, 2009	Year ended July 31, 2009
	\$	\$
Future tax assets		
Income tax loss carry forwards	278,759	255,403
Difference between book and tax amortization	2,248	2,237
	<u>281,007</u>	<u>257,640</u>
Future tax liabilities		
Renounced expenditures to be incurred	(54,284)	(86,738)
Mineral exploration properties and deferred exploration expenses	(685,834)	(653,503)
	<u>(740,118)</u>	<u>(740,241)</u>
Net future tax liability	<u>(459,111)</u>	<u>(482,601)</u>

**12. Income taxes (continued)**

As at October 31, 2009, the Company has income tax loss carryforwards as follows:

	Federal	Quebec
	\$	\$
2027	136,000	136,000
2028	404,000	403,000
2029	409,000	409,000
2030	87,000	87,000
	1,036,000	1,035,000
	1,036,000	1,035,000

**13. Segmented information**

The Company has determined that it only operates in one segment, being the acquisition, exploration and development of mineral properties with the aim of discovering commercially exploitable deposits of minerals. All of the long-term assets are held in Canada.

**14. Comparative figures**

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

**15. Subsequent event**

In December 2009, the Company completed a three tranche non-brokered private placement of 6,922,845 units at a price of \$0.13 each for total gross proceeds of \$899,970. Each unit consists of one common share and one common share purchase warrant which entitles the holder to acquire one additional common share at a price of \$0.16 for a period of 24 months after the date of issuance. The securities issued are subject to a four month hold period after the date of issuance. Directors and Officers of the Company have participated in the private placement for a total amount of \$46,400. The Company paid a commission of \$12,913 and issued 99,330 non-transferable warrants entitling the holder to acquire same number of common shares of the Company at a price of \$0.16 for a period of 24 months after the date of issuance. The funds raised pursuant to the private placement will be used to fund the Company's general working capital and exploration activities.