CONQUEST RESOURCES LIMITED

(A Development Stage Company)

Interim Consolidated Financial Statements

Unaudited – prepared by management

Second Quarter

For the six months ended June 30, 2009

(The Company's Auditors have not reviewed the financial statements for the period ended June 30, 2009)

CONQUEST RESOURCES LIMITED
(A Development Stage Company)

INTERIM CONSOLIDATED BALANCE SHEETS
Unaudited

	June 30 2009 $	December 31 2008 (Audited) $
ASSETS		
Current		
Cash and cash equivalents	206,636	384,718
Restricted cash (Note 6(a))	500,000	500,000
Amounts receivable	7,045	17,808
Prepaid expense	-	-
	713,681	902,526
Investments (Note 4)	17,000	8,000
Exploration properties and deferred exploration expenditures (Note 5)	2,960,422	2,912,423
	3,691,103	3,822,949
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	142,448	125,307
SHAREHOLDERS' EQUITY		
Capital Stock (Note 6(a))	9,466,236	9,466,236
Warrants (Note 6(b)).	110,000	110,000
Contributed surplus (Note 6(d))	1,849,986	1,689,986
Accumulated other comprehensive income	-	-
Deficit	(7,877,567)	(7,568,580)
	3,548,655	3,697,642
	3,691,103	3,822,949

Commitments and contingencies(Notes 1, 5 and 8)

APPROVED ON BEHALF OF THE BOARD:

Signed "John F. Kearney" , Director

Signed "T.N. McKillen" , Director

See accompanying notes to the consolidated financial statements

CONQUEST RESOURCES LIMITED
(A Development Stage Company)

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT
For the six month period ended June 30
Unaudited

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
	$	$	$	$
Expenses				
Stock-based compensation	-	-	160,000	-
Office and general	9,777	1,830	23,137	13,358
Corporate expenses	8,773	13,931	41,654	24,036
Professional fees	63,591	16,615	86,815	16,705
Property expense	-	5,960	-	5,960
Travel	3,486	2,047	6,381	2,776
Loss before the undernoted	85,627	40,383	317,987	62,835
Write down of investments	8,000	20,000	(9,000)	20,000
	8,000	20,000	(9,000)	20,000
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	93,627	60,383	308,987	82,835
DEFICIT, beginning of period	7,783,940	7,427,225	7,568,580	7,404,773
Other comprehensive loss	-	-	-	-
DEFICIT, end of period	7,877,567	7,487,608	7,877,567	7,487,608
NET LOSS PER COMMON SHARE - Basic and diluted	0.001	0.001	0.005	0.001
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	65,677,529	62,663,830	65,677,529	62,663,830

See accompanying notes to the consolidated financial statements.

CONQUEST RESOURCES LIMITED
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six month period ended June 30
Unaudited

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
	$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	(93,627)	(60,383)	(308,987)	(82,835)
Adjustments for:				
Stock-based compensation	-	-	160,000	-
Future income tax	-	-	-	-
Decrease (increase) in investments	8,000	20,000	(9,000)	20,000
	(85,627)	(40,383)	(157,987)	(62,835)
Changes in non-cash working capital balances	34,188	(7,850)	27,904	9,747
Cash flows from operating activities	(51,439)	(48,233)	(130,083)	(53,088)
CASH FLOW FROM INVESTING ACTIVITIES				
Exploration properties and deferred exploration expenditures, net of recoveries	(34,480)	(5,000)	(47,999)	(85,647)
CASH FLOW FROM FINANCING ACTIVITIES				
Issue costs	-	-	-	-
Increase (Decrease) in cash and cash equivalents	(85,919)	(53,233)	(178,082)	(138,735)
Cash and cash equivalents, beginning of period	292,555	514,461	384,718	599,963
Cash and cash equivalents, end of period	206,636	461,228	206,636	461,228

SUPPLEMENTAL INFORMATION		
Cash and cash equivalents are composed of the following:		
Cash	4,829	13,941
Cash equivalents net of restricted cash	701,807	447,287
Less: restricted cash	(500,000)	-
	206,636	461,228

See accompanying notes to the consolidated financial statements

1. Continuance of Operations

These unaudited consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that Conquest Resources Limited (the "Company") will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company is in the development stage, as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11, with no history of profitability. There is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its properties.

The Company's continued operation is dependent upon its ability to obtain the financing necessary to provide adequate working capital for the foreseeable future. Management continues to actively pursue additional financing and strives to obtain and thereafter maintain profitable operations to support the validity of the "going concern" assumption. If the "going concern" assumption was not appropriate for these unaudited consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. Nature of Operations

The exploration activities of the Company are directed towards the search, evaluation and development of mineral resources in Canada. There has been no determination whether the Company's interests in its properties contain ore reserves which are economically recoverable. The Company's exploration and development operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed or that new permits that have been applied for will be granted. Major expenditures are required to locate and establish reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The recoverability of valuations assigned to mineral properties is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations, however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. Management reviews the carrying value of the Company's interest in each property and where necessary, exploration properties are written down to their estimated recoverable amount. Although management has made its best estimate of these factors, it is reasonably possible that certain events could adversely affect management's estimates of recoverable amounts and the need for, as well as the amount of, provision for impairment in the carrying value of exploration properties and related assets. Although the Company has taken steps to verify title to properties in which it has an interest in accordance with industry standards for the current stage of development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements or transfers or native land claims, and title may be affected by undetected defects.

3. Summary of Significant Accounting Policies

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), consistently applied, which include the following significant accounting policies.

(a) Basis of consolidation
These unaudited consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

(b) Exploration properties and deferred exploration expenditures
Exploration and development expenses relating to mineral properties in which the Company has an interest are deferred until the properties are brought into production, at which time they are amortized on a unit-of-production basis. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are expensed to operations in the year of abandonment or sale.

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of mineral properties. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company are recorded in the accounts at the time of payment.

The Company reviews capitalized costs on its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from sale of the property. Management's assessment of the property's estimated current value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

(c) Asset retirement obligations
The Company will record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral exploration properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to exploration properties and deferred exploration expenditures and is amortized over the useful life of the properties. Management is currently not aware of any existing asset retirement obligations and the Company does not currently have any legal obligations relating to the reclamation of its mineral exploration properties.

(d) Interests in joint ventures
A portion of the Company's exploration activities is conducted jointly with others wherein the Company enters into agreements that provide for specified percentage interests in mineral properties. Expenditures on these properties are capitalized to exploration properties. Joint venture accounting, which reflects the Company's proportionate interest in exploration properties, is applied by the Company only when the parties have earned their respective interests and enter into formal comprehensive agreements for ownership and exploration participation.

(e) Use of estimates
The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the year. During the fiscal years presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of investments in exploration properties, the future costs associated with environmental remediation and site restoration matters, fair value of financial instruments, valuation of investments, valuation of tax accounts and factors affecting the valuation of stock-based compensation and share purchase warrants. These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as an assumption about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

(f) Flow-through financing
The Company has financed a portion of its exploration activities in Canada through the issuance of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to exploration properties and deferred exploration expenditures.

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

(g) Income taxes
The Company follows the asset and liability method of accounting for income taxes. Using this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

(h) Loss per share
Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share.

(i) Foreign currency translation
The Canadian dollar is the functional currency of all of the Company's operations, which are classified as integrated for foreign translation purposes.

Under the temporal method, monetary assets and liabilities are translated at the rate of exchange prevailing at the year end; plant and equipment and exploration properties are translated at the rates prevailing at the acquisition dates; and revenue and expenses are translated at average rates of exchange during the year, with the exception of amortization which is translated at historical exchange rates. Exchange gains and losses are included in the consolidated statements of operations and deficit.

(j) Cash and cash equivalents
Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less. The Company invests cash in term deposits maintained in high credit quality institutions.

(k) Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

(l) Financial instruments
Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

The Company's investment is classified as "held-for-trading" and is measured at fair value. Changes in its value is recognized in net income for the year. Investments in securities having quoted market values and which are publicly traded on a recognized securities exchange and for which no sales restrictions apply are recorded at values based on the current bid prices.

(m) Comprehensive income
Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income for the Company includes unrealized gains and losses on available-for-sale securities and changes in fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of operations and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income ("AOCI") which is presented as a new category in shareholders' equity.

(n) New Accounting Standards
On January 1, 2008, the Company adopted the CICA Handbook Section 1535, Capital Disclosures, Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation.

(i) Capital Disclosures:
Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance (Note 10).

(ii) Financial Instruments - Disclosures and Presentation:
The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks (Note 9).

Section 3064, Goodwill and Intangible Assets
In February 2008, the CICA issued the new Section 3064 to replace Section 3062, “Goodwill and Other Intangible Assets” and establish standards for the recognition, measurement and disclosure of goodwill and intangible assets. In addition, the CICA issued amendments to Section 1000 “Financial Statements Concepts” and Accounting Guideline 11, “Enterprises in the Development Stage” and withdrew Section 3450, “Research and Development Costs”, Emerging Issue Committee (EIC) Abstract 27, “Revenues and Expenditures during the Pre-operating Period” is no longer applicable for companies that have adopted CICA 3064. The mandatory effective date is for annual and interim financial statements for years beginning on/after October 1, 2008 (i.e. January 1, 2009). The Company does not believe that Section 3064 will have a significant impact on its financial statements under current operating conditions.

Impairment Testing of Mineral Exploration Properties, Emerging Issue Committee 174
On March 27, 2009, the CICA approved EIC-174 “Mining Exploration Costs”. This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. This standard will be effective for the Company beginning July 1, 2009. The Company is currently evaluating the impact of adopting this standard in 2009.

(o) Future Accounting Changes:
International Financial Reporting Standards ("IFRS"):
On February 13, 2008, the Accounting Standards Board (“AcSB”) confirmed that publicly accountable entities will be required to prepare financial statements in accordance with IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company has developed a three phase changeover plan to adopt IFRS by January 1, 2011. Details of the plan are outlined in the accompanying MD&A.

Sections 1582, Business Combinations, 1601, Consolidations and 1602, Non-controlling Interests
In January 2009, the CICA issued these new sections to replace Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements”. Section 1582 will apply to a transaction in which the acquirer obtains control of one or more businesses (as defined in the Section). Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. A bargain purchase will result in the recognition of a gain. Acquisition costs will be expensed. Any non-controlling interest will be recognized as a separate component of shareholders’ equity and net income will be allocated between the controlling and non-controlling interests. These new standards will apply to fiscal years beginning on or after January 1, 2011. The Company does not believe that these new Sections will have an impact on its financial statements unless the Company enters into a business acquisition subsequent to January 1, 2011.

4. Investment

Investment in Trade Winds Ventures Inc.

As at June 30, 2009, the Company owned 200,000 shares of Trade Winds Ventures Inc. (“Trade Winds”), a company listed on the TSX Venture Exchange, with a quoted market value of $17,000. During 2008, the investment was written down by $42,000 to its quoted market value of $8,000 at December 31, 2008, and at June 30, 2009, the investment was increased by $9,000 to its quoted market value of $17,000.

5. Exploration Properties & Deferred Exploration expenditures

	December 31 2007	Additions (Write down)	December 31 2008	Additions (Write down)	June 30 2009
	$	$	$	$	$
Alexander	1,421,137	9,294	1,430,431	32,547	1,462,978
Aurora Detour	491,297	20,505	511,802	9,807	521,609
King Bay	886,971	83,219	970,190	5,645	975,835
Other	5,960	(5,960)	-	-	-
Total	2,805,365	107,058	2,912,423	47,999	2,960,422

Alexander Property, Red Lake, Ontario
The Company has earned a 100% interest in the Alexander Property, a group of patented mining claims situated in Central Balmer Township, Red Lake Mining District, Ontario, subject to a 2% net smelter return ("NSR") in favour of Energold Minerals Inc. ("Energold). Energold is controlled by a director of the Company.

Aurora Property, Detour Lake, Ontario
Pursuant to a Letter Agreement dated March 7, 2002 with Prism Resources Inc. ("Prism"), as amended March 3, 2004 and as further amended July 25, 2004, the Company acquired all of Prism's rights to earn up to a 100% interest in the Aurora Property, subject to a 7.5% net profits interest payable ("NPI") to Prism.

The Aurora Property consists of a group of mining leases and mining claims situated at Detour Lake, Ontario, comprising three blocks named Aurora, Sunday Lake and Tie-On, which are subject to an underlying Joint Venture Agreement between Prism and Boliden Westmin (Canada) Limited ("Boliden Canada"). The Company earned an initial 60% interest in the Aurora Property by spending in excess of $350,000 on exploration and development prior to June 30, 2004. The Company has elected to earn a further 40% (total 100%) interest in the property, subject to a 2% NSR payable to Boliden Canada and a 7.5% NPI payable to Prism, by spending a cumulative $4,385,816 on exploration and development programs by December 31, 2012.

In order for the Company to be vested with its initial 60% interest, Prism was required to make a payment of $200,000 to Boliden Canada by July 1, 2004. In 2004, the Company negotiated an agreement with Boliden Canada which provided that the $200,000 payment could be satisfied by the issue to Boliden Canada of 1,000,000 common shares of the Company at an agreed price of $0.20 per share and Boliden Canada agreed to extend the deadline for such payment. In July 2004 Boliden Canada was acquired by Breakwater Resources Limited. The above-mentioned agreement with Boliden Canada has not yet been consummated and the payment to Boliden Canada has not been made.

King Bay Property, Sturgeon Lake, Ontario
Pursuant to an agreement dated August 18, 2004 with KBG Minerals Corporation ("KBG"), the Company earned a 60% working interest in the King Bay gold project by expending $600,000 on exploration prior to April 30, 2008. Upon the Company acquiring its 60% interest, a joint venture was formed with the Company as the Operator of the joint venture. If either party's working interest is reduced below 10% due to non-participation, its interest will be converted to a 10% net profits interest. The property is subject to an underlying agreement between KBG and Tribute Minerals Corporation ("Tribute") under which Tribute holds a 1.5% NSR on any production from the property.

6. Capital Stock

(a) Common shares

Authorized
Unlimited common shares
Issued

	Shares #	Amount $
Balance at December 31, 2007	62,663,830	9,081,236
Issued:		
Private placement	10,000,000	500,000
Warrant valuation	-	(110,000)
Share issue costs	-	(5,000)
Balance at December 31, 2008	72,663,830	9,466,236
Balance at June 30, 2009	72,663,830	9,466,236

(i) In December 2008, the Company completed a private placement with a related party of 10,000,000 flow-through units at a price of $0.05 per unit for gross proceeds of $500,000. Each unit consisted of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.10 until December 31, 2013. Pursuant to the requirements of the TSX Exchange, the placement was closed in escrow on December 31, 2008, pending disinterested shareholder approval of the creation of a new Control Person. Approval was obtained at the Annual and Special Meeting of Shareholders held March 6, 2009. The issue costs for the private placement were $5,000 for legal fees.

(ii) The fair value of the warrants, in the amount of $110,000, was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 76%, risk free interest rate of 1.69% and an expected life of five years.

(b) Share Purchase Warrants

Share Purchase Warrants
As at June 30, 2009, the Company had the following outstanding share purchase warrants:

Warrants #	Value $	Exercise Price $	Expiry Date
10,000,000	500,000	0.10	December 30, 2013

Each warrant entitles the holder to purchase one common share of the Company.

(c) Stock Options

The board of directors has approved a stock option plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed ten percent of the total number of common shares outstanding immediately prior to such an issuance. The maximum number of common shares reserved for issuance to any one participant upon the exercise of options is not to exceed five percent of the total number of common shares outstanding immediately prior to such an issuance. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

No stock options were granted in 2008. On March 13, 2009, 3,200,000 stock options were granted to directors and officers of the Company at an exercise price of $0.10 for a period of five years. The grant date fair value of these options is $160,000 which has been recorded as stock-based compensation and an increase to contributed surplus. The following assumptions were used in calculating the fair value of options granted, using the Black-Scholes option pricing model: expected dividend yield of 0%, expected volatility of 87%, risk-free interest rate of 1.87% and expected life of five years.

The following table summarizes the stock options outstanding as at June 30, 2009.

Stock options

Number of Common shares	Exercise Price $	Expiry Date
1,400,000	0.10	March 1, 2010
300,000	0.12	March 12, 2011
600,000	0.15	June 15, 2011
300,000	0.13	March 18, 2012
3,200,000	0.10	March 13, 2014
5,800,000		

Stock option transactions for the period ended June 30, 2009 were as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2008	2,600,000	0.12
Issued	3,200,000	0.10
Balance, June 30, 2009	5,800,000	0.11

(d) Contributed Surplus

Contributed surplus transactions for the period ended June 30, 2009 were as follows:

Balance, December 31, 2008	$ 1,689,986
Value of stock options	160,000
Balance, June 30, 2009	$ 1,849,986

7. Related Party Transactions

Related party transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Amounts paid and accrued include the following expenditures which were incurred with directors and officers of the Company, corporations with directors and/or officers in common with the Company, and corporations controlled by directors and/or officers of the Company:

	Six months ended June 30	
	2009	2008
	$	$
Office and general	18,009	13,594
Corporate expenses	14,505	-
Exploration expenditures	3,995	-
Legal fees	25,213	1,240
	61,722	14,834

Included in accounts payable and accrued liabilities at June 30, 2009 is $105,155 (2008 - $90,352) due to the above noted related parties. Such amounts are due on demand, unsecured and non-interest bearing.

8. Commitments and Contingencies

The Company entered into a flow-through share subsciption agreement in December 2008 whereby it is committed to incur on or before December 31, 2009, a total of $500,000 of qualifying Canadian Exploration Expenses. As at June 30, 2009, no expenditues had been incurred, leaving a balance of $500,000 to be incurred on or before December 31, 2009. The Company has indemnified the subscriber for any tax related amounts that may become payable by the subscriber as a result of the Company not meeting its expenditure commitments.

Subsequent to the end of the period the Company negotiated a plea agreement with respect to nine charges which had been issued under the Ontario Occupational Health and Safety Act relating to an accident that occurred in December 2007 at the King Bay Project where an independent contractor drowned while constructing an ice road on Sturgeon Lake. The Company agreed to enter a guilty plea in respect of one charge of failing to provide information about the thickness of the ice and agreed to a fine of $130,000, with two years to make the payment. The fine is subject to a 25% government mandate victim impact surcharge. The Company will seek indemnity and recovery of the amount of the penalty and legal costs from its joint venture partner on the King Bay Project, KBG Minerals Corporation, the registered owner of the mineral claims and supervisor of the Project.

9. Financial Instruments

Fair value
Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities on the consolidated balance

sheets approximate fair value because of the limited term of these instruments. The investment is stated at its quoted market value.

Interest rate risk
The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Credit risk
Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in Canadian banks and commodity taxes recoverable from the Government of Canada, which are included in amounts receivable.

Commodity price risk
The future profitability of the Company is indirectly related to the market price of metals, particularly gold.

Liquidity Risk
Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company intends on fulfilling all of its financial obligations as they come due.

Market Risk
Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market price of certain minerals.

Capital Risk
The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its mineral properties. The capital structure of the Company consists of cash, cash equivalents and capital stock.

Sensitivity Analysis
The Company has designated its cash and cash equivalents and restricted cash as held-for-trading, which are measured at fair value. Other financial instruments included in current assets are classified as loans and receivables, which are measured at amortized costs. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at June 30, 2009, the carrying value of the Company’s financial instruments represent their fair value.

Cash equivalents are invested in investment-grade short-term deposit certificates. Based on management’s knowledge and experience in the financial markets, sensitivity to a plus or minus 1% change in rates, based on the current balance of cash equivalents, would affect the net loss by plus or minus $2,000 during a one-year period.

As at June 30, 2009, the Company did not hold any balances in foreign currencies that would give rise to exposure to foreign exchange risk.

10. Capital Management

The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, development and exploration of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. All equity financings require the approval of the Board of Directors.

The Company invests all capital that is surplus to its immediate operational needs in short term, highly-liquid financial instruments, such as short term guaranteed investment certificates, held with a major Canadian financial institution.

There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.