GGL RESOURCES CORP.

(formerly, GGL Diamond Corp.)

Consolidated Financial Statements

November 30, 2009 and 2008

Index

AUDITORS' REPORT

To the Shareholders of
GGL Resources Corp. (formerly, GGL Diamond Corp.)

We have audited the consolidated balance sheets of GGL Resources Corp. (formerly, GGL Diamond Corp.) as at November 30, 2009 and 2008 and the consolidated statements of operations and deficit 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.
March 16, 2010

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A B.C. Limited Liability Partnership
of Corporations

GGL RESOURCES CORP. (formerly, GGL DIAMOND CORP.)
Consolidated Balance Sheets
November 30, 2009 and 2008

	2009	2008
ASSETS		
Current		
Cash	$ 162,962	$ 332,665
Amounts receivable	25,052	128,665
Prepaid expenses	3,217	21,762
	191,231	483,092
Unproven mineral interests (Note 4)	16,842,998	19,954,322
Property and equipment (Note 5)	198,117	424,362
	$ 17,232,346	$ 20,861,776
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 345,993	$ 699,933
Deferred revenues (Note 4(f))	44,700	-
	390,693	699,933
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	35,522,814	35,211,782
Contributed surplus (Note 8)	4,094,639	3,822,571
Deficit	(22,775,800)	(18,872,510)
	16,841,653	20,161,843
	$ 17,232,346	$ 20,861,776

On behalf of the Board:

Nature and Continuance of Operations (Note 1)
Subsequent event (Note 15)

"Raymond A. Hrkac"

"Nick DeMare"

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

GGL RESOURCES CORP. (formerly, GGL DIAMOND CORP.)

Consolidated Statements of Operations and Deficit
Years Ended November 30, 2009 and 2008

	2009	2008
Expenses		
Amortization of property and equipment	$ 1,894	$ 2,632
Consulting fees	99,447	245,265
Corporate relations	-	7,877
Exploration costs – general	172,252	187,036
Legal and audit	37,788	77,029
Licences, taxes, insurance and fees	30,244	40,905
Office services and expenses	160,699	209,668
Shareholders' meetings and reports	23,101	33,253
Stock-based compensation	272,068	703,094
Travel	3,798	22,255
Operating loss	(801,291)	(1,529,014)
Other income (expenses)		
Interest income	744	76,548
Foreign exchange loss	(898)	1,605
Gain on sale of property and equipment	230,368	-
Interest expense	(1,798)	(952)
Operator's fee	7,526	-
Other tax expense	100	(55,000)
Sale of data set and technical support	105,300	-
Write off of property and equipment	(1,534)	(3,828)
Write off of exploration and unproven mineral interests	(3,467,154)	(558,415)
	(3,127,346)	(540,042)
Loss for the year before income taxes	(3,928,637)	(2,069,056)
Future income tax recovery	25,347	1,404,145
Net loss and comprehensive loss for the year	(3,903,290)	(664,911)
Deficit, beginning of year	(18,872,510)	(18,207,599)
Deficit, end of year	$ (22,775,800)	$ (18,872,510)
Loss per share - basic and diluted	$ (0.03)	$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	145,894,191	140,072,540

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

GGL RESOURCES CORP. (formerly, GGL DIAMOND CORP.)

Consolidated Statements of Cash Flows
Years Ended November 30, 2009 and 2008

	2009	2008
Cash flows used in operating activities		
Net loss and comprehensive loss for the year	$ (3,903,290)	$ (664,911)
Adjustment for items not involving cash:		
- amortization of property and equipment	1,894	2,632
- amortization of exploration property and equipment	48,085	68,592
- future income tax recovery	(25,347)	(1,404,145)
- gain on sale of property and equipment	(230,368)	-
- stock-based compensation	272,068	703,094
- write off of property and equipment	1,534	3,828
- write off of exploration and unproven mineral interests	3,467,154	558,415
	(368,270)	(732,495)
Change in non-cash working capital items:		
- amounts receivable	103,613	86,800
- prepaid expenses	18,545	(8,724)
- accounts payable and accrued liabilities	(669,751)	876,278
- deferred revenues	44,700	-
	(871,163)	221,859
Cash flows from financing activities		
Shares issued for cash, net of share issuance costs	255,577	636,613
Shares issued for cash – flow-through shares, net of share issuance costs	80,802	4,238,719
Principal reduction of mortgage loan	-	(10,705)
	336,379	4,864,627
Cash flows from (used in) investing activities		
Acquisition of unproven mineral interests	-	(66,429)
Additions to deferred exploration costs	(65,019)	(5,383,474)
Option payment received	25,000	-
Proceeds from sale of property and equipment	405,100	-
Purchase of property and equipment	-	(49,066)
	365,081	(5,498,969)
Decrease in cash	(169,703)	(412,483)
Cash, beginning of year	332,665	745,148
Cash, end of year	$ 162,962	$ 332,665

See also Note 13.

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

1. Nature and Continuance of Operations

The Company changed its name from GGL Diamond Corp. to GGL Resources Corp. to better represent the Company's variety of assets. Trading under the new name began on September 8, 2009. There were no changes to the shares or to the trading symbol.

The Company is in the exploration stage and, on the basis of information to date, does not yet have economically recoverable reserves. The underlying value of the mineral properties and related deferred costs is entirely dependent upon the existence of such reserves, the ability of the Company to obtain the necessary financing to develop the reserves and upon future profitable production.

The Company intends to continue its exploration programs. In light of negative cash flows from operating activities, operating losses accrued in the past years and a negative working capital, the Company's ability to continue its exploration programs is dependent on its ability to secure additional financing. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Management is actively pursuing such additional sources of financing.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from the carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The Company's common shares are listed on the TSX Venture Exchange ("TSX-V"). The TSX-V's policies impose certain minimum capital requirements upon the Company. Due to current market conditions, the TSX-V was granting temporary relief from certain policy requirements on a case by case basis to listed issuers which were facing conditions of immediate or imminent financial hardship. The Company applied and received approval from the TSX-V for temporary relief from the minimum six month working capital requirement.

2. Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its 86.8%-owned subsidiary Rio Sonora Resources Ltd. ("Rio Sonora") and its wholly-owned U.S. subsidiary, Gerle Gold (U.S.) Inc. ("Gerle Gold"). Both Rio Sonora and Gerle Gold are presently inactive. All inter-company transactions and balances have been eliminated.

2. Significant Accounting Policies, continued

(b) Unproven Mineral Interests

The cost of unproven mineral interests and the related exploration costs are deferred until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold or abandoned. Management reviews the carrying values of unproven mineral interests with a view to assessing whether there has been any impairment of value. When it is determined that an unproven mineral interest will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or interest.

The amounts shown for unproven mineral interests represent costs, less write-offs, incurred to date, and do not necessarily reflect present or future values. The recoverability of amounts shown for unproven mineral interests is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects, and on future profitable production or proceeds from the disposition thereof.

Ownership in mineral interests involves certain inherent risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests are in good standing.

(c) Property Option Agreements

From time to time, the Company may acquire or dispose of unproven mineral interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are accounted for as payments are made or received. Amounts received under option agreements reduce the carrying amount of the unproven mineral interest under option.

(d) Property and Equipment

Property and equipment are carried at cost. Amortization of the property and equipment is provided on a declining-balance basis, unless otherwise noted, at the following annual rates:

Exploration equipment	20%
Vehicle	30%
Office furniture and fixtures	20%
Yellowknife House	25 years straight line

2. Significant Accounting Policies, continued

(e) Flow-Through Shares

The 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. The estimated income tax benefits transferred to shareholders are recorded as a future income tax liability and a reduction to share capital at the time of renunciation.

(f) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts, if applicable, are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate.

(g) Foreign Exchange Translation

The Company uses the temporal method for translating its foreign currency transactions to Canadian dollars. Under this method, monetary assets and liabilities have been converted at the exchange rate prevailing at the balance sheet dates. Income and expenses are translated at the rates prevailing at dates of the related transactions. Non-monetary assets, liabilities and equity are translated at historical rates. Gains and losses on foreign exchange are included in earnings for the year.

(h) Use of Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the amount of expenses reported during the reporting period. Examples of significant estimates include amortization, the provision for future income tax recoveries and composition of future income tax assets and liabilities, valuation of unproven mineral interests, asset retirement obligations and the fair value of stock-based compensation. Actual results could differ from those reported.

2. **Significant Accounting Policies,** continued

(i) Income Taxes

Income taxes are recorded on a tax allocation basis. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using substantively enacted income tax rates. The effect of changes in effective income tax rates is recognized in income in the period in which the change is substantively enacted. Future income tax assets are recognized with respect to deductible temporary differences and loss carryforwards only to the extent their realization is considered more likely than not.

(j) Stock-Based Compensation

The fair value of stock options and share purchase warrants issued as compensation is determined by the widely used Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company’s common shares and the expected life of the options. The estimated fair value of awards of stock-based compensation is charged to expense as awards vest, with offsetting amounts recognized as contributed surplus. The fair value of direct awards of common shares is determined by the quoted market price of the Company’s stock.

(k) Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is adjusted to reflect revision to either timing or the amount of the original estimate of the undiscounted cash flow. As at November 30, 2009, the Company does not have any asset retirement obligations.

(l) Long-lived Assets Impairment

Long-lived assets are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is determined to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

3. Adoption of New Accounting Policies

Current Changes in Accounting Policies

(a) Goodwill and Intangible Assets, Section 3064

Effective December 1, 2008, the Company implemented the new Handbook section 3064, "Goodwill and Intangible Assets", which replaces section 3062, "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The adoption of the new section had no impact on the Company's consolidated financial statements.

(b) Going Concern – Amendments of Section 1400

Effective December 1, 2008, the Company implemented the amendments to CICA Section 1400, General Standards of Financial Statements Presentation. This section was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The adoption of the amendments to this section had no impact on the Company's consolidated financial statements.

Future Changes in Accounting Policies

(c) Business combinations, consolidated financial statements and non-controlling interests - Sections 1582, 1601 and 1602

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581, Business Combinations, and establishes standards for the accounting for a business combination. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards of accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

3. Adoption of New Accounting Policies, continued

Future Changes in Accounting Policies, continued

(d) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of December 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. Unproven Mineral Interests

	Balance November 30, 2008	2009 Mineral Interests Additions	2009 Exploration Cost Additions		2009 Written Off	Balance November 30, 2009
Doyle Lake	$ 3,491,801	$ -	$ (3,093)	*	$(2,189,735)	$ 1,298,973
Fishback Lake	1,226,657	-	5,663		(402,375)	829,945
CH	7,734,437	-	(22,070)	**	(634,250)	7,078,117
Providence Greenstone Belt	4,735,107	-	299,025		(240,794)	4,793,338
McConnell Creek	2,766,320	-	76,305		-	2,842,625
	$ 19,954,322	**$ -**	**$ 355,830**		**$(3,467,154)**	**$ 16,842,998**

* See Note 4(a)
** See Note 4(c)

	Balance November 30, 2008	2009 Additions	2009 Written Off	Balance November 30, 2009
Unproven Mineral Interests	$ 631,254	$ -	$ (90,122)	$ 541,132
Deferred exploration costs	19,323,068	355,830	(3,377,032)	16,301,866
	$ 19,954,322	**$ 355,830**	**$(3,467,154)**	**$ 16,842,998**

4. Unproven Mineral Interests, continued

Exploration costs incurred during the year are as follows:

	2009	2008
Chartered aircraft	$ 13,114	$ 910,078
Drilling, sampling	4,466	682,758
Licences, recording fees, lease payments	32,552	185,469
Option payment received	(25,000)	-
Project supplies	12,277	510,370
Land use permit fee refunded	(25,000)	-
Salaries and wages	37,592	325,002
Surveys	6,500	1,386,100
Technical and professional services	287,375	912,847
Transportation	11,954	105,353
	$ 355,830	$ 5,017,977

(a) Doyle Lake, Northwest Territories, Canada

Under the De Beers Agreement ("the Agreement") dated May 25, 1995, De Beers has earned a 60% interest in the Doyle Lake Properties ("the Properties"), which consist of 5 claims and 3 fractional claims (12,972 acres) (2008 – 5 claims and 3 fractional claims, 12,972 acres), by completing exploration expenditures of $4.65 million. To November 30, 2009, De Beers has spent over $7.5 million. All of the Company's 40% share of costs and expenses of prospecting, exploration, development and construction incurred preproduction and financed by De Beers or by way of third party borrowings will be recovered by De Beers out of 90% of annual available cash flow (i.e. cash flow after provision for ongoing operating and non-operating costs) from any mine constructed on the Properties with interest at a rate equal to LIBOR plus 3% or the actual interest rates agreed to be paid, whichever is applicable, and the remaining 10% of such available cash flow will be distributed to the members in the Agreement in proportion to their interests in the Properties. If after the completion of a feasibility study and prior to the commencement of commercial production from the first mine, the members in the Agreement cease to carry on development work on the Properties otherwise than by reason of force majeure for a period of more than two years, interest other than interest on third party borrowings, shall cease to accrue during the portion of such period exceeding two years. When development work resumes, interest will continue to accrue.

In 2005, the Company acquired 21 mining leases (51,109 acres) in the Northwest Territories from Mountain Province Diamonds Inc. (MPV), Camphor Ventures Inc., and De Beers Canada Inc., subject to Royalty Agreements which total 1.5% of net returns (gross revenues less permissible deductions). The Company agreed to keep the leases in good standing and submit three yearly lease rental period payments to the NT Mining Recorders Office. All three payments have been submitted. In 2008, the Company relinquished ten of the mining leases (25,530 acres). In 2009, the remaining 11 leases (25,579 acres) were relinquished and the related costs of $845,532 were written off.

4. **Unproven Mineral Interests**, continued

(a) Doyle Lake, Northwest Territories, Canada, continued

In addition, the Company holds 17 claims (16,206 acres) (2008 - 36 claims; 39,726 acres) in the Doyle Lake area that are not subject to the Agreement. 16 of these claims are leases. In 2009, 19 mining leases (23,520 acres) were allowed to lapse and the related costs of $1,344,203 were written off.

The Company received a refund of its land use permit fee of $25,000.

(b) Fishback Lake, Northwest Territories, Canada

The Company owns 7 claims, 13,301 acres, (2008 - 15 claims; 29,561 acres). One of these claims is a mining lease. In 2009, 8 claims (16,260 acres) were allowed to lapse and the related costs of $402,375 were written off.

(c) CH, Northwest Territories, Canada

The Company owns 111 claims (246,315 acres) (2008 - 121 claims; 269,792 acres), north-northeast of Yellowknife, acquired by staking during the years 2000 to 2003. These claims include the Courageous, Mackay, Seahorse, Starfish, Winterlake North, GDC, Winterlake South, BP, Zip, G and Mill claims.

On February 11, 2009 the Company signed an exploration and option agreement with Rio Tinto Exploration Canada Inc. ("Rio") (formerly, Kennecott Canada Exploration Inc.) on 73 of its 121 CH claims in the Northwest Territories. In 2009, 10 (23,477 acres) of the 73 claims were allowed to lapse and the related costs of $634,250 were written off. Rio must make payments totalling $1,000,000 and incur cumulative expenditures of $10,000,000 in order to earn a 100% interest, subject to a gross overriding royalty of 1.5% of the appraised value of all gem and industrial diamonds recovered, sorted and graded from the property and a 1.5% net smelter returns royalty on the net value of all ores, minerals, metals and materials except diamonds, mined and removed from the property and sold or deemed to have been sold. The payments and both royalties are payable to the Company. The Company has received the first payment of $25,000.

The Company received a refund of its deposits totalling $40,000 from the Mining Recorder for assessment reports filed in 2006 and 2007.

(d) Providence Greenstone Belt, Northwest Territories, Canada.

The Company owns 131 claims (285,889 acres) (2008 - 153 claims; 331,445 acres) in the Providence Greenstone Belt area of the Northwest Territories. These claims lie within an extensive belt of rocks previously identified by a mapping project funded by the Geological Survey of Canada and reported as having the potential for hosting magmatic nickel mineralization. During 2009, 22 claims (45,556 acres) were allowed to lapse and the related costs of $240,794 were written off.

(e) McConnell Creek, British Columbia, Canada

The Company owns 2 mineral tenures (4,878 hectares) (2008 – 2 mineral tenures; 4,878 hectares) in the Omineca Mining Division of British Columbia.

4. Unproven Mineral Interests, continued

(f) General exploration, Northwest Territories, Canada

The Company signed a non-exclusive licence agreement for the use of its Slave Geological Province data set for diamond exploration for $100,000 and will provide 500 hours of technical support over an 18 month period at a price of $50,000. The proceeds of $100,000 for the license agreement were recognized as income at the date the data set was delivered. The technical support will be recognized as income as it occurs. The balance remaining, if any, will be recognized as an offset to general exploration costs at the end of the 18 month period. As at November 30, 2009, the amount of $44,700 presented as deferred revenues represents the remaining hours of technical support.

5. Property and Equipment

2009	Cost	Accumulated Amortization	Net book Value
Exploration equipment	$ 626,889	$ 452,001	$174,888
Vehicle	10,500	7,979	2,521
Office furniture and fixtures	61,741	41,033	20,708
	$ 699,130	**$ 501,013**	**$ 198,117**

2008	Cost	Accumulated Amortization	Net book Value
Yellowknife land	$ 98,500	$ -	$ 98,500
Yellowknife house	186,687	110,743	75,944
Exploration equipment	634,299	414,922	219,377
Vehicle	10,500	6,899	3,601
Office furniture and fixtures	65,768	38,828	26,940
	$ 995,754	**$ 571,392**	**$ 424,362**

In 2009, the Company sold its house in Yellowknife for $405,000. The gain on sale of property is $230,556.

6. Share Capital

(a) Authorized: unlimited common shares without par value.

6. Share Capital, continued

(b) Issued:

	Number of Shares	Amount
Balance, November 30, 2007	**122,731,670**	**$ 31,689,095**
Private placement, net of share issuance costs	2,875,000	560,090
Private placement – flow-through shares, net of share issuance costs	18,118,000	4,193,119
Shares issued as finder's fees	190,000	46,000
Shares issued for services	247,355	45,000
Exercise of stock options	135,000	31,250
Exercise of share purchase warrants	310,000	49,000
Reallocation from contributed surplus on exercise of stock options	-	6,500
Less: flow-through share renunciation	-	(1,404,145)
Other share issue costs	-	(4,127)
Balance, November 30, 2008	**144,607,025**	**$ 35,211,782**
Private placement, net of share issuance costs	4,396,668	256,327
Private placement - flow-through shares, net of share issuance costs (see Note 6 (c))	1,420,000	80,802
Less: flow-through share renunciation	-	(25,347)
Other share issue costs	-	(750)
Balance, November 30, 2009	**150,423,693**	**$ 35,522,814**

(c) During the year ended November 30, 2009:

The Company completed a private placement of 4,396,668 non flow-through units at $0.06 per unit for gross proceeds of $263,800. Each non flow-through unit consists of one non flow-through common share and one half of one non-transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one non flow-through common share for three years from the closing date at $0.10 per share in the first year, $0.20 per share in the second year and $0.30 per share in the third year.

In addition, the Company completed a private placement of 1,420,000 flow-through units at $0.06 per unit for gross proceeds of $85,200. Each flow-through unit consists of one flow-through common share and one half of one non-transferable non flow-through warrant. Each whole warrant entitles the holder to purchase one non flow-through common share for one year from the closing date at $0.10 per share.

6. Share Capital, continued

(c) During the year ended November 30, 2009, continued:

If the common shares trade on the TSX Venture Exchange at a closing price greater than \$0.50 per share for twenty consecutive trading days at any time after four months and one day from the closing date, the Company may accelerate the expiry of the warrants by giving notice to the holders thereof, and in such case the warrants will expire on the 30th day after the date on which such notice is given.

(d) Changes in warrants during the years ended November 30, 2009 and 2008 are as follows:

	2009		2008	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	5,605,000	\$0.24	3,248,000	\$0.16
Issued	2,908,334	\$0.10	2,875,000	\$0.30
Exercised	-	-	(310,000)	\$0.16
Expired	(2,730,000)	\$0.18	(208,000)	\$0.45
Outstanding, end of year	5,783,334	\$0.25	5,605,000	\$0.24

The Company has the following share purchase warrants outstanding as at November 30, 2009:

Number of warrants	Exercise Price	Expiry Date
2,855,000	\$0.40	Aug. 13, 2010
20,000	\$0.40	Aug. 18, 2010
710,000	\$0.10	Sept. 21, 2010
888,000	\$0.10/ \$0.20/ \$0.30	Aug. 20, 2012
1,310,334	\$0.10/ \$0.20/ \$0.30	Sept. 21, 2012
5,783,334		

7. Stock Options

In 2006, the Company amended its Stock Option Plan to a 10% rolling plan whereby the Company may grant stock options to purchase up to 10% of the issued capital of the Company at the time of the grant of any option. Under the policies of the TSX Venture Exchange, options granted under the 10% rolling plan will not be required to include the mandatory vesting provisions required by the Exchange for fixed number stock option plans, except for stock options granted to investor relations consultants. Awarded stock options are exercisable over a period not exceeding five years at exercise prices determined by the Board of Directors.

Under this plan, the number of shares available for grant increases as the issued capital of the Company increases.

During the year ended November 30, 2009:

(a) 1,365,000 stock options expired unexercised;

(b) 830,000 stock options granted May 1, 2007 at an exercise price of $0.63 were repriced to $0.10 per share;

(c) 725,000 stock options granted July 31, 2007 at an exercise price of $0.56 were repriced to $0.10 per share;

(d) 62,500 stock options granted May 1, 2008 at an exercise price of $0.20 were repriced to $0.10 per share;

(e) the Company's Board of Directors approved and granted 4,475,000 stock options (2008 – 4,292,500) to directors, officers, employees, and consultants. Each option entitles its holder to acquire one common share of the Company at $0.10 per common share exercisable until August 19, 2014 (100,000 of these stock options expired on December 29, 2009 due to a termination in employment); and

(f) the Company recorded $272,068 (2008 - $703,094) of stock-based compensation expense for the stock options granted.

	Shares	Weighted Average Exercise Price
Options outstanding as at November 30, 2007	**7,420,833**	**$0.43**
Granted	4,292,500	$0.20
Exercised	(135,000)	$0.23
Expired	(555,000)	$0.27
Options outstanding as at November 30, 2008	**11,023,333**	**$0.35**
Granted	4,475,000	$0.10
Expired	(1,365,000)	$0.39
Options outstanding as at November 30, 2009	**14,133,333**	**$0.21**

7. Stock Options, continued

	Shares	Weighted Average Exercise Price
2009 options exercisable	14,133,333	$0.21
2008 options exercisable	11,023,333	$0.35

	2009	2008
Weighted average remaining contractual life	3.27 years	3.35 years
Weighted average fair value of options granted during the year	$0.07	$0.19

The following table sets forth information relating to stock options outstanding as at November 30, 2009:

Expiry	Exercise prices	Number outstanding and exercisable at Nov. 30, 2009	Weighted average remaining contractual life (years)
Dec. 29/09	$0.20	7,500	0.08
Dec. 29/09	$0.10	192,500	0.08
May 12/10	$0.20	300,000	0.45
June 7/10	$0.20	50,000	0.52
July 8/10	$0.20	210,000	0.61
Oct. 28/10	$0.20	25,000	0.91
Mar. 23/11	$0.20	775,000	1.31
May 12/11	$0.26	495,000	1.45
Aug. 15/11	$0.20	53,333	1.71
May 1/12	$0.63	100,000	2.42
May 1/12	$0.10	800,000	2.42
July 31/12	$0.10	725,000	2.67
July 31/12	$0.56	2,050,000	2.67
May 01/13	$0.20	600,000	3.42
May 23/13	$0.20	3,350,000	3.48
July 31/13	$0.20	25,000	3.67
Aug. 19/14	$0.10	4,375,000	4.72
		14,133,333	

7. Stock Options, continued

The fair value of each option granted was estimated as of the date of grant using the *Black-Scholes option pricing model* with the following assumptions:

	2009	2008
Risk-free interest rate	2.63%	3.12 to 3.29%
Dividend yield	0%	0%
Volatility	131.44%	126.91 to 126.93%
Expected lives	5 years	5 Years
Estimated forfeiture rate	0%	0%

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

8. Contributed Surplus

Contributed surplus for 2009 and 2008 is comprised of:

	2009	2008
Balance, beginning of year	$ 3,822,571	$ 3,125,977
Stock-based compensation on stock options	272,068	703,094
Stock options exercised	-	(6,500)
Balance, end of year	$ 4,094,639	$ 3,822,571

9. Related Party Transactions

During the year, the Company was billed $150,000 by a director (2008 - $145,000), including $88,945 (2008 - $100,550) for consulting fees and $61,055 (2008 – $44,450) for technical and professional services. Included in the November 30, 2009 accounts payable is $210,447 (2008 – $75,830) owed by the Company to the director. Transactions with related parties are measured at the exchange amount which is the amount agreed to by transacting parties.

10. Income Taxes

	2009	2008
Loss before income taxes	$ 3,928,637	$ 2,069,056
Combined federal and provincial income tax rate	30%	31%
Expected (provision) recovery for income taxes	1,178,591	641,407
Non-deductible expenses and other	(1,076,577)	(113,601)
Loss expiry	(70,979)	(30,596)
Tax rate changes	12,964	(139,260)
Recovery of valuation allowance	(18,652)	1,046,195
	$ 25,347	$ 1,404,145

The income tax effects of temporary timing differences that give rise to significant components of future income tax assets and liabilities are as follows:

Future income tax assets and liabilities are as follows:	2009	2008
Future Income Tax assets		
Property, plant and equipment	$ 146,430	$ 183,763
Non-capital losses carry-forwards	1,024,546	972,660
Capital losses	3,615	3,615
Share issue costs	66,908	100,114
	1,241,499	1,260,152
Future Income Tax liabilities		
Unproven mineral interests	(76,678)	(913,535)
Total gross future income tax assets	1,164,821	346,617
Valuation allowance	$(1,164,821)	$ (346,617)
	-	-

10. Income Taxes, continued

The Company has non-capital losses for income tax purposes of approximately $3,574,217, available to reduce future years' taxable income. The benefit of these non-capital losses has not been recognized in the Company's accounts as there is no reasonable assurance such benefit will be realized. If unused, the non-capital losses become no longer available to reduce taxable income after the end of the following taxation years ending:

Year	Non Capital Losses
2010	$ 274,405
2014	229,883
2015	547,542
2026	310,854
2027	1,007,914
2028	758,476
2029	445,143
	$ 3,574,217

Certain events may result in the earlier expiry of the non-capital losses. Management, however, does not anticipate any such events.

11. Segmented Information

The Company is involved in mineral exploration and development activities, which are conducted entirely in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of the years ended November 30, 2009 and 2008.

12. Financial Instruments

(a) Fair Value

The fair value of financial instruments at November 30, 2009 and 2008 is summarized as follows:

	November 30, 2009		November 30, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Held for trading				
Cash	$ 162,962	$ 162,962	$ 332,665	$ 332,665
Loans and receivables				
Amounts receivable	$ 1,044	$ 1,044	$ 77,990	$ 77,990
Financial Liabilities				
Other Financial liabilities				
Accounts payable and accrued liabilities	$ 390,693	$ 390,693	$ 699,933	$ 699,933

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments.

(b) Financial Risk Management

The Company's activities potentially expose it to a variety of financial risks, including credit risk, foreign exchange risk (currency), liquidity risk, and interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and amounts receivable. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. The Company deposits the majority of its cash with high credit quality financial institutions in Canada.

Currency risk

The Company operates in Canada and transacts business with foreign vendors and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to interest rate risk.

12. Financial Instruments, continued

(b) **Financial Risk Management**, continued

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The Company manages liquidity by monitoring carefully its operating requirements.

13. Supplementary Cash flow information

Non-cash operating, financing, and investing activities were conducted by the Company during fiscal year 2009 and 2008 as follows:

	2009	2008
Operating activities		
Accounts payable for deferred exploration costs	$ 173,203	$ 489,014
Financing activities		
Issuance of common shares as finder's fee	$ -	$ 46,000
Investing activities		
Accounts payable for deferred exploration costs	$ (173,203)	$ (489,014)
Other supplementary cash flow information:		
Cash paid for interest charges	$ 1,798	$ 1,149
Cash paid for income taxes	$ -	$ -

14. Management of Capital

The Company's objectives when managing capital are to safeguard its 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.

In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

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 its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

15. Subsequent Event

Subsequent to November 30, 2009, 200,000 stock options expired due to a termination in employment.