

Eloro Resources Ltd.

(an exploration stage company)

Financial Statements

March 31, 2009



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AUDITORS' REPORT

**To the Shareholders of
Eloro Resources Ltd.
(an exploration stage company)**

We have audited the balance sheets of Eloro Resources Ltd. (an exploration stage company) as at March 31, 2009 and 2008 and the statements of operations and deficit and cash flows for the years ended March 31, 2009 and 2008. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 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.

Smith Nixon LLP
Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
May 15, 2009

Eloro Resources Ltd.
 (an exploration stage company)
Balance Sheets

As at March 31,
2009 **2008**
 \$ \$

Assets

Current			
Cash	233,678	2,109,659	
Marketable securities	21,000	17,500	
Accounts receivable	173,457	132,563	
Investment in Bear Lake Gold Ltd. (note 3)	29,375	112,500	
Prepaid expenses	49,048	7,175	
	506,558	2,379,397	
Mineral resource properties (notes 4 and 13)	9,018,026	7,351,158	
	9,524,584	9,730,555	

Liabilities

Current			
Accounts payable and accrued liabilities	572,395	257,283	
Future income taxes	1,259,000	1,458,000	
	1,831,395	1,715,283	

Shareholders' equity

Share capital (note 6)	10,364,422	8,735,406	
Warrants (note 6)	578,744	1,590,827	
Contributed surplus (note 6)	1,281,655	864,321	
Deficit	(4,531,632)	(3,175,281)	
	7,693,189	8,015,272	
	9,524,584	9,730,555	

See accompanying notes to financial statements

Commitments and contingencies (notes 4, 11 and 12)
 Subsequent events (notes 4 and 13)

Approved by the Board:

Thomas Larsen
Director

Miles Nagamatsu
Director

Eloro Resources Ltd.
(an exploration stage company)
Statements of Operations and Deficit

	Years ended March 31, 2009	March 31, 2008	Cumulative since October 1, 2004
	\$	\$	\$
General and administrative expenses			
Professional fees	61,536	23,715	150,328
Consulting fees	203,495	239,593	767,867
Stock-based compensation (note 6)	417,335	249,440	1,424,155
Investor relations	-	18,000	108,000
General and office	174,906	216,682	639,479
Part XII.6 tax	134,720	-	134,720
	991,992	747,430	3,224,549
Loss before the undernoted	(991,992)	(747,430)	(3,224,549)
Interest	23,084	67,084	90,168
Gain on sale of mineral resource properties	55,000	60,000	382,500
Gain on settlement of accounts payable	-	7,685	11,426
Loss on sale of marketable securities	-	-	(14,735)
Unrealized loss on marketable securities	(51,500)	(42,500)	(94,000)
Unrealized gain (loss) on investment in Bear Lake Gold Ltd.	(83,125)	35,000	(48,125)
Writedown of accounts receivable	-	-	(38,934)
Writedown of investment in Bear Lake Gold Ltd.	-	-	(190,000)
Writedown of properties	(686,818)	-	(686,818)
Provision for amount due from Wavex International Inc.	-	-	(17,946)
Provision for amount due from Northfield Metals Inc.	-	-	(23,482)
Loss before income taxes	(1,735,351)	(620,161)	(3,854,495)
Future income tax recovery	379,000	647,411	1,206,488
Income (loss)	(1,356,351)	27,250	(2,648,007)
Deficit, beginning of period	(3,175,281)	(3,202,531)	(1,883,625)
Deficit, end of period	(4,531,632)	(3,175,281)	(4,531,632)
Income (loss) per share	(0.02)	0.00	
Weighted average number of shares outstanding-			
Basic	54,769,995	46,969,547	
Diluted	54,769,995	48,833,494	

See accompanying notes to financial statements

Eloro Resources Ltd.
(an exploration stage company)
Statements of Cash Flows

	Years ended March 31, 2009	March 31, 2008	Cumulative since October 1, 2004
	\$	\$	\$
Cash provided by (used in)			
Operating activities			
Income (loss)	(1,356,351)	27,250	(2,648,007)
Stock-based compensation	417,335	249,440	1,424,154
Gain on sale of mineral resource properties	(55,000)	(60,000)	(382,500)
Gain on settlement of accounts payable	-	(7,685)	(11,426)
Loss on sale of marketable securities	-	-	14,735
Unrealized loss on marketable securities	51,500	42,500	94,000
Unrealized gain (loss) on investment in Bear Lake Gold Ltd.	83,125	(35,000)	48,125
Writedown of accounts receivable	-	-	38,934
Writedown of investment in Bear Lake Gold Ltd.	-	-	190,000
Writedown of properties	686,818	-	686,818
Provision for amount due from Wavex International Inc.	-	-	17,946
Provision for amount due from Northfield Metals Inc.	-	-	23,482
Future income tax recovery	(379,000)	(647,411)	(1,206,488)
	(551,573)	(430,907)	(1,710,227)
Changes in non-cash operating working capital			
Accounts receivable	(40,894)	18,657	(177,864)
Advance for exploration expenditures	-	73,656	-
Prepaid expenses	(41,873)	(7,175)	(49,048)
Accounts payable and accrued liabilities	315,113	1,747	462,778
	(319,227)	(344,021)	(1,474,361)
Financing activities			
Issue of common shares	-	38,810	1,325,678
Issue of flow-through common shares	500,000	4,146,650	8,067,450
Exercise of warrants	-	295,302	1,315,896
Exercise of options	-	19,000	71,500
Share issue costs	(69,068)	(290,820)	(843,299)
	430,932	4,208,942	9,937,225
Investing activities			
Purchase of marketable securities	-	-	(81,000)
Proceeds on sale of marketable securities	-	-	66,265
Advance from Bear Lake Gold Ltd.	-	23,789	-
Advance to Wavex International Inc.	-	-	(17,946)
Mineral resource properties	(1,862,890)	(3,409,460)	(8,071,904)
Oil and gas properties	(124,796)	-	(124,796)
	(1,987,686)	(3,385,671)	(8,229,381)
Net increase (decrease) in cash	(1,875,981)	479,250	233,483
Cash, beginning of period	2,109,659	1,630,409	195
Cash, end of period	233,678	2,109,659	233,678

See accompanying notes to financial statements

Supplementary information (note 12)

Eloro Resources Ltd.

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Notes to Financial Statements

March 31, 2009

1. Nature of operations and going concern

Eloro Resources Ltd. (the "Company") was incorporated under the laws of Ontario. The Company operates solely in the exploration and development of base metals mineral properties in Canada.

The Company is in the exploration stage and has not yet determined whether its mineral resource properties contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for mineral resource properties is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties. The amounts shown for mineral resource properties do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for mineral resource properties.

The Company is exposed to commodity price risk with respect to metal commodity prices. A significant decline in metal commodity prices may affect the Company's ability to obtain capital for the exploration and development of its mineral resource properties.

As at March 31, 2009, the Company had a working capital deficit of \$65,837, which included cash of \$233,678, which is not sufficient to enable the Company to fund its operations and the acquisition and exploration of mineral resource properties. In order to preserve its cash, the Company suspended the acquisition and exploration of mineral resource properties and reduced its operating expenditures. However, without additional funding to meet existing obligations and to finance its operations and the acquisition and exploration of mineral resource properties, there is substantial doubt as to the Company's ability to continue as a going concern. The Company is actively seeking to raise the necessary capital to meet its funding requirements. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available in the future, particularly in light of the current financial equity market conditions.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Marketable securities

Transactions are recorded on the trade date. Marketable securities are valued at fair value using the last bid price.

Mineral resource properties

Costs relating to the acquisition, exploration and development of mineral resource properties are deferred until the properties are brought into commercial production, at which time, they are amortized over the estimated useful life of the related property on a unit-of-production basis. The cost of mineral resource properties includes the cash consideration and the fair value of shares issued on the date the property is acquired. The proceeds from options granted on properties are credited to the cost of the related property. When a property is determined to be non-commercial, non-productive or its value otherwise impaired, those costs in excess of estimated recoveries are charged to operations.

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Mining tax credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in Quebec and are recorded as a reduction of the related deferred exploration expenditures.

Oil and gas properties

Upon acquisition of oil and gas properties, the Company adopted the full cost method of accounting for oil and natural gas operations, under which, all costs related to acquiring oil and natural gas properties as well as the exploration for and development of oil and natural gas reserves are capitalized and accumulated in a cost centre. Costs include lease acquisition costs, geological and geophysical expenses, overhead directly related to exploration and development activities and costs of drilling both productive and nonproductive wells. Proceeds from the sale of properties are applied against capitalized costs, without any gain or loss being recognized, unless such a sale would significantly alter the rate of depletion and amortization.

On the sale of an entire interest in an unproven property, a gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproven property is sold, the amount received is treated as a recovery of the cost of the interest retained.

Asset retirement obligations

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. The Company has not incurred and is not committed to any asset retirement obligations in respect of its mineral resource properties and oil and gas properties.

Flow-through shares

The Company finances a portion of its exploration activities through the issue of flow-through shares issued pursuant to the *Income Tax Act* (Canada). Under the terms of these share issues, the deductions for income tax purposes of the related expenditures are renounced to the subscriber of the flow-through shares. Share capital is reduced and future income taxes are increased by the estimated income tax benefits renounced by the Company to the subscribers, except to the extent that the Company has unrecorded loss carryforwards and income tax pools in excess of book value available for deduction.

Stock-based compensation

The Company enters into transactions in which services are the consideration received for the issuance of stock or stock-based instruments. The value of these transactions are measured and accounted for, based on the fair value of the equity instruments issued or the value of the services, whichever is more reliably measurable. Stock-based compensation for instruments awarded to non-employees is expensed in the year during which the services are rendered. Stock-based compensation for instruments awarded to employees is expensed over the vesting period of the instrument.

Income taxes

Income taxes are recorded using the asset and liability method of income tax allocation. Future income tax relates to the expected consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment at the time that the differences are expected to reverse.

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Loss per share

The basic income (loss) per share is calculated by dividing the income (loss) applicable to the common shares by the weighted average number of shares outstanding during the year. Fully diluted income (loss) per share is calculated using the treasury stock method and reflects the potential dilution by including stock options and warrants, in the weighted average number of common shares outstanding for the year.

Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the reporting period. The significant areas requiring the use of management estimates include the carrying value of mineral resource properties and stock-based compensation. Actual results could differ from those estimates.

Financial instruments

Financial instruments are measured at fair value on initial recognition and valued in subsequent periods based upon their classification as held-for-trading, available for sale, held-to-maturity, loans and receivables or other liabilities. Financial assets and liabilities classified as held-for-trading are valued at fair value with gains and losses recognized in income. Financial assets classified as available-for-sale are valued at fair value with unrealized gains and losses recognizing in other comprehensive income. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities classified as other liabilities are valued at amortized cost using the effective interest rate method. The Company has classified its cash, marketable securities and investment in Bear Lake Gold Ltd. as held-for-trading and accounts payable and accrued liabilities as other financial liabilities.

Transaction costs

Transaction costs for financial instruments classified as held-for-trading are expensed as incurred.

Accounting changes

On April 1, 2008, the Company adopted CICA Handbook Section 1535, "Capital Disclosures" which requires the disclosure of objectives, policies and processes for managing capital; Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation" which requires the disclosure of the nature and extent of risks arising from financial instruments and how those risks are managed; and amendments to Section 1400, "General Standards of Financial Statement Presentation" which requires an assessment of the ability to continue as a going concern. Beyond additional disclosure, the adoption of these new accounting standards did not have an effect on the Company's financial position or results of operations.

On March 27, 2009, the Company adopted CICA Emerging Issues Committee EIC-174, "Mining Exploration Costs". EIC-174 provides guidance on the capitalization of exploration costs related to mineral properties, when impairment should be assessed to determine whether a writedown is required and the conditions that indicate impairment.

Future accounting changes

On April 1, 2009, the Company will adopt CICA Handbook Section 3064, "Goodwill and Intangible Assets" which will replace Section 3062. 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 pre-production and start-up costs and requires that these costs be expensed as incurred. Concurrent with the introduction of this standard, the CICA withdrew EIC-27, Revenues and Expenses during the pre-operating period.

On April 1, 2009, the Company will adopt CICA Handbook Section 1000, "Financial Statement Concepts" which has also been amended to clarify the criteria for the recognition of an asset, specifically as it relates to the use of the matching principle. Accordingly, certain items that may have been previously recognized as assets may not be able to be reflected as such under the new recommendations.

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On January 1, 2011, the Company will adopt CICA Handbook Section 1582, "Business Combinations", which will replace Section 1581, "Business Combinations". The new standard establishes standards for the recognition and measurement of identifiable assets acquired, liabilities assumed, non-controlling interest in the acquiree and goodwill acquired in a business combination.

On January 1, 2011, the Company will adopt CICA Handbook Sections 1601, "Consolidated Financial Statements" and Section 1602, "Non-controlling Interests", which together, will replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602, establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Company does not expect the adoption of these new standards to have an effect on the Company's financial statements.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

International Financial Reporting Standards ("IFRS"):

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS on its financial statements. The Company has not completed development of its IFRS changeover plan, which will include project structure governance, resourcing and training, analysis of key GAAP differences and a phase plan to assess accounting policies under IFRS as well as potential IFRS 1 ("First Time Adoption of IFRS") exemptions. The Company hopes to complete its project scoping, which will include a timetable for assessing the impact on data systems, internal controls over financial reporting and business activities, such as financing and compensation arrangements during 2009.

3. *Investment in Bear Lake Gold Ltd.*

The Company acquired an investment with an exchange value of \$267,500 in Bear Lake Gold Ltd. (formerly, NFX Gold Inc.) ("Bear Lake") pursuant to a sale of mining claims. As at March 31, 2007, the Company wrote down its investment by \$190,000 to fair value of \$77,500. As at March 31, 2009, the fair value of the investment in Bear Lake was \$29,375 (2008-\$112,500).

One director of the Company is a director of Bear Lake.

Eloro Resources Ltd.

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Notes to Financial Statements

March 31, 2009

4. Mineral resource properties

Property	March 31, 2008 \$	Acquisition costs \$	Exploration \$	Writedown \$	March 31, 2009 \$
<i>Ontario</i>					
Hurdman	1,634,714	8,000	803,641	—	2,446,355
Turnbull	22,032	—	34,943	—	56,975
Price Township	55,584	—	8,000	—	63,584
McArthur Lake	17,941	—	22,027	—	39,968
Agate/Gurney	177,238	—	148,805	—	326,043
Douglas	—	21,000	-	—	21,000
	1,907,509	29,000	1,017,416	—	2,953,925
<i>Quebec</i>					
James Bay	242,168	—	(8,021)	—	234,147
Taiga	214,886	—	2,135	(217,021)	—
Horseshoe	144,582	—	7,713	—	152,295
Lemoyne North	681,292	—	(101,181)	—	580,111
Sakami	9,582	—	45,905	—	55,487
Amelie Lake	736,545	—	31,703	—	768,248
La Grande North	31,039	—	—	—	31,039
Summit-Gabbre	66,662	—	136,217	—	202,879
Eastmain	828,765	—	53,389	—	882,154
Delta	1,545,021	—	656,252	—	2,201,273
Rupert	493,161	—	(1,056)	—	492,105
Otish	449,946	—	14,417	—	464,363
	5,443,649	—	837,473	(217,021)	6,064,101
	7,351,158	29,000	1,854,889	(217,021)	9,018,026

Eloro Resources Ltd.

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Property	March 31, 2007 \$	Acquisition costs \$	Exploration \$	Writedown \$	March 31, 2008 \$
<i>Ontario</i>					
Hurdman	1,424,635	—	210,079	—	1,634,714
Turnbull	22,032	—	—	—	22,032
Price Township	26,587	—	28,997	—	55,584
McArthur Lake	—	13,090	4,851	—	17,941
Agate/Gurney	132,188	45,050	—	—	177,238
	<u>1,605,442</u>	<u>58,140</u>	<u>243,927</u>	<u>—</u>	<u>1,907,509</u>
<i>Quebec</i>					
James Bay	227,839	—	14,329	—	242,168
Taiga	191,605	4,830	18,451	—	214,886
Horseshoe	144,582	—	—	—	144,582
Lemoyne North	577,292	—	104,000	—	681,292
Sakami	—	9,582	—	—	9,582
Amelie Lake	—	—	736,545	—	736,545
La Grande North	15,000	15,000	1,039	—	31,039
Summit-Gabbre	60,908	920	4,834	—	66,662
Eastmain	592,954	32,589	203,222	—	828,765
Delta	286,435	—	1,258,586	—	1,545,021
Rupert	12,016	—	481,145	—	493,161
Otish	—	275,356	174,590	—	449,946
	<u>2,108,631</u>	<u>338,277</u>	<u>2,996,741</u>	<u>—</u>	<u>5,443,649</u>
	<u>3,714,073</u>	<u>396,417</u>	<u>3,240,668</u>	<u>—</u>	<u>7,351,158</u>

Eloro Resources Ltd.
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Notes to Financial Statements
March 31, 2009

The Company owns the following interests in mineral resource properties:

Property	Property type	Interest	Net smelter royalty	Net smelter royalty purchase option	
<i>Ontario</i>					
Hurdman	Zinc/Silver	100%	1%	Note (i)	
Turnbull	Gold	100%	1%	Note (i)	
Price Township	Gold	100%	1%	Note (i)	
McArthur Lake	Nickel	100%	—	—	
Agate/Gurney	Zinc/Silver	100%	2%	1% for \$1,000,000	
Douglas	Nickel	100%	1%	0.5% for \$500,000	
<i>Quebec</i>					
Taiga	Taiga	Gold/Copper/Zinc	100%	1%	Note (ii)
	Taiga West	Gold/Copper/Zinc	100%	1%	Note (iii)
Horseshoe		Gold/Copper/Zinc	100%	1%	0.5% for \$500,000
Lemoyne North		Gold/Copper/Zinc	100%	1%	—
Sakami	Sakami	Gold/Copper/Zinc	50%	1%	—
	Sakami Extension	Gold/Copper/Zinc	100%	—	—
Amelie Lake		Gold/Copper/Zinc	50%	—	—
LaGrande North		Gold/Copper/Zinc	50%	—	—
Summit-Gabbre		Gold/Copper/Zinc	100%	1%	Note (ii)
Eastmain	Eastmain 1	Gold/Copper/Zinc	100%	1%	Note (iii)
	Eastmain 2	Gold/Copper/Zinc	100%	1%	Note (iii)
	Eastmain 3	Gold/Copper/Zinc	100%	1%	0.5% for \$500,000
Lac Henry		Uranium	100%	—	—
Delta		Copper/Gold/Zinc	100%	1%	0.5% for \$500,000
Rupert	Rupert North	Uranium	100%	1%	Note (iv)
	Rupert South	Gold/Copper/Zinc	100%	1%	Note (iv)
Otish	Otish North	Uranium	100%	2%	Note (v)
	Otish South	Uranium	100%	2%	Note (v)
Lac Mills		Uranium	100%	1%	Note (ii)
Gaval		Uranium	100%	1%	Note (ii)
Meech		Uranium	100%	1%	Note (ii)
Maguy Zone		Uranium	100%	1%	Note (ii)
Zone 90		Uranium	100%	1%	Note (ii)
Zone 99		Uranium	100%	1%	Note (ii)

(i) The Company has the option to purchase 0.5% on all the properties for \$500,000.

(ii) The Company has the option to purchase 0.5% on all the properties for \$500,000.

(iii) The Company has the option to purchase 0.5% on all the properties for \$500,000.

(iv) The Company has the option to purchase 0.5% on all the properties for \$500,000.

(v) The Company has the option to purchase 1% on all the properties for \$1,000,000.

Option granted to lamgold Corporation for Lemoyne North, Taiga and Sakami

On June 8, 2006, the Company completed an agreement with lamgold Corporation (formerly Cambior Inc.) (“lamgold”) allowing lamgold to earn a 50% interest the Lemoyne North, Taiga and Sakami properties, by spending \$2,000,000 on or before June 30, 2010. In 2008, lamgold elected not to pursue the option agreement due to its decision to withdraw from exploration in the James Bay area.

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Option to acquire Amelie Lake, LaGrand North and Sakami Extension

On November 20, 2006, the Company entered into an option agreement with Virginia Mines Inc. ("Virginia") which would allow the Company to acquire a 50% interest in the Amelie Lake, LaGrande North and Sakami Extension properties. In order to earn its interest, the Company must make option payments and incur exploration expenditures as follows:

	Option payments	Exploration expenditures
	\$	\$
On closing	15,000	–
November 20, 2007	15,000	100,000
November 20, 2008	20,000	150,000
November 20, 2009	–	200,000
November 20, 2010	–	250,000
November 20, 2011	–	300,000
	<hr/> 50,000	<hr/> 1,000,000

The Company has the option to make the option payments in common shares of the Company and therefore, the Company issued 25,423 common shares for the option payment due on closing and 29,069 common shares for the option payment due on November 20, 2007. Subsequent to March 31, 2009, the Company paid \$20,000 for the option payment which was due on November 20, 2008.

Once the Company earns its interest in the properties, the Company and Virginia will form and participate in a joint venture. The Company will be the operator during the earn-in option period with Virginia having the right to become operator thereafter.

Option granted to Icon for Lac Henry

On April 10, 2007, the Company granted Icon Industries Ltd. ("Icon") an option to acquire a 55% interest in the Lac Henry property. In order to earn its interest, Icon must issue common shares and incur exploration expenditures as follows:

	Common shares	Exploration expenditures
		\$
To earn 50% interest		
Received	50,000	–
April 10, 2008	100,000	–
September 10, 2008	–	150,000
April 10, 2009	150,000	300,000
April 10, 2010	–	550,000
	<hr/> 300,000	<hr/> 1,000,000
To increase to 55% interest		
1.5 years after earning 50% interest	–	500,000

The Company retained a 2% net smelter return royalty on property, of which Icon can purchase 1% for \$1,000,000.

Icon had not issued the required common shares and had not made the required exploration expenditures by April 10, 2009 and the option terminated.

Acquisition of Otish

On July 5, 2007, the Company acquired a 100% interest in the Otish North and Otish South properties for \$60,000 and the issuance of 450,000 common shares valued at \$212,625.

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Option granted to Bear Lake for Lemoyne North, Horseshoe and Taiga

On July 16, 2007, the Company granted Bear Lake, a related party, an option to acquire a 50% interest in the Lemoyne North, Horseshoe and Taiga properties by expending \$3,000,000 in the following increments: \$500,000 on or before July 15, 2008; \$750,000 on or before July 15, 2009; \$750,000 on or before July 15, 2010; and \$1,000,000 on or before July 15, 2011. The properties are encumbered with a 1% net smelter return royalty. On April 2, 2009, Bear Lake terminated the option.

Acquisition of Douglas

On April 8, 2008, the Company acquired a 100% interest in nine claims in Douglas Township by issuing 60,000 common shares with a value of \$21,000. The vendors retained a 1% net smelter return royalty, of which, the Company has the option to purchase 0.5% for \$500,000.

Option grant and sale to Northfield Metals Inc.

On January 30, 2008, the Company signed a letter of agreement with Northfield Metals Inc. ("Northfield") allowing Northfield to earn a 50% interest in the Company's Otish North and Otish South properties and to acquire 6 of the Company's uranium properties located in the James Bay District, Quebec. On February 20, 2009, the Company terminated the letter of agreement. Three directors of the Company are also directors of Northfield.

Acquisition of McArthur Lake

In 2008, the Company acquired a 100% interest in the McArthur Lake property by staking.

Grant of option on McArthur Lake and Douglas Nickel Properties

Effective April 8, 2008, the Company granted an option to Fletcher Nickel Inc. ("Fletcher") to acquire a 55% interest in the Company's McArthur Lake and Douglas Nickel Properties, consisting of 15 claims (183 claim units) located in McArthur, Douglas and Bartlett Townships in northern Ontario. In order to earn its interest, Fletcher must issue common shares and incur exploration expenditures as follows:

	Common shares	Exploration expenditures \$
To earn 55% interest		
July 8, 2009	50,000	150,000
July 8, 2010	50,000	200,000
July 8, 2011	50,000	250,000
July 8, 2012	50,000	400,000
	200,000	1,000,000

Option granted to Nebu Resources Inc. for Turnbull and Price Township

On March 31, 2009, the Company granted an option to Nebu Resources Inc. ("Nebu") to earn up to a 90% interest in 10 mining claims consisting of 59 claim units located in the Timmins area in northeastern Ontario. The properties are currently subject to a 1% net smelter return royalty.

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In order to earn its interest, Nebu must issue common shares and incur exploration expenditures as follows:

	Common shares	Exploration expenditures
		\$
To earn 50% interest		
On closing	150,000	-
March 31, 2010	150,000	100,000
To increase to 90% interest		
March 31, 2011, subject to the right of Nebu to extend the time to incur the exploration expenditures until March 31, 2012 upon the issue of 100,000 Nebu common shares.	-	100,000
	300,000	200,000

In the event that Nebu earns its 50% interest in the properties and provides notice to the Company that it does not wish to exercise its option to increase its interest to 90%, the Company and Nebu shall form a joint venture for further exploration of the properties. Once Nebu has earned its 90% interest in the properties, the Company shall elect either to (i) convert its remaining 10% interest in the properties to a 1% net smelter return royalty or (ii) form a joint venture for further exploration of the properties.

On April 29, 2009, the Company received 150,000 common shares of Nebu that were due on closing.

5. Oil and gas properties

Property	March 31, 2008	Acquisition costs	Exploration	Writedown	March 31, 2009
	\$	\$	\$	\$	\$
<i>Quebec</i>					
Charlevoix	-	405,626	64,171	(469,797)	-

On July 16, 2008, the Company acquired an option to earn a 100% interest in the Charlevoix Property which consists of 4 oil and gas permits over 534.05 square kilometres located in Quebec. In order to earn its interest, the Company was to make option payments, issue common shares and incur exploration expenditures, however, on July 8, 2009, the Company terminated the option after only issuing 1,500,000 common shares valued at \$345,000 and incurring acquisition costs of \$60,626 and exploration expenditures of \$64,171. Accordingly, the Company recorded a writedown of \$469,797 as at March 31, 2009.

6. Share capital, warrants and contributed surplus

Authorized

An unlimited number of common shares without par value.

An unlimited number of redeemable, voting, non-participating special shares without par value.

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Outstanding

	Number of common shares	Amount \$
Balance, March 31, 2007	43,231,016	5,965,773
Issued for cash	70,563	38,810
Issued for cash-flow-through units	6,814,833	4,146,650
Fair value of warrants issued	-	(495,964)
Fair value of finders fee warrants	-	(101,973)
Issued for finder's fee	50,000	30,000
Exercise of warrants	1,578,089	295,302
Issued for option payment (note 4)	29,069	15,000
Issued for acquisition of mineral resource property (note 4)	450,000	212,625
Fair value of warrants exercised	-	143,858
Exercise of options	85,000	19,000
Fair value of options exercised	-	21,145
Future income tax benefit of flow-through expenditures renounced (note 9)	-	(1,234,000)
Share issue costs	-	(320,820)
<hr/>		
Balance, March 31, 2008	52,308,570	8,735,406
Issued for acquisition of mineral resource property (note 4)	60,000	21,000
Issued for acquisition of oil and gas property (note 5)	1,500,000	345,000
Issued for cash-flow-through units	5,000,000	500,000
Fair value of warrants issued	-	(65,550)
Fair value of finders fee warrants	-	(13,110)
Fair value of expired warrants	-	1,090,743
Future income tax benefit of flow-through expenditures renounced (note 9)	-	(180,000)
Share issue costs	-	(69,067)
<hr/>		
Balance, March 31, 2009	58,868,570	10,364,422

On August 17, 2007, the Company completed a non-brokered private placement of 1,155,000 units at a price of \$0.65 per unit for gross proceeds of \$750,750. Each unit consisted of one common share issued on a flow-through basis under the Income Tax Act (Canada) and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of \$0.95 per common share until February 17, 2009. If the average closing price of the common shares is over \$1.15 per common share for 20 consecutive trading days (following the expiry of the hold period), the common share purchase warrants must be exercised within ten business days of receiving written notice from the Company or they are to be terminated. The Company paid a 6% finder's fee of \$45,045 and issued 92,400 finder's fee common share purchase warrants entitling the holder to purchase one common share at a price of \$0.65 per common share until February 17, 2009, which expired.

The fair value of the warrants of \$79,919 and the finder's fee warrants of \$17,939 were calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	4.65%
Expected volatility	87%
Expected life of warrants	1.5 years
Expected dividend yield	Nil

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On December 7, 2007, the Company completed a non-brokered private placement of 5,000,000 units at a price of \$0.60 per unit for gross proceeds of \$3,000,000. Each unit consisted of one common share issued on a flow-through basis under the *Income Tax Act (Canada)* and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of \$0.90 per common share until December 7, 2008 and \$1.10 per common share until December 7, 2009. If the average closing price of the common shares is over \$1.10 per common share for 20 consecutive trading days in the year ended December 7, 2008 or \$1.30 in the year ended December 31, 2009, the common share purchase warrants must be exercised within ten business days of receiving written notice from the Company or they are to be terminated. The Company paid a 4% finder's fee of \$120,000, issued 50,000 finder's fee common shares valued at \$30,000 and issued 500,000 finder's fee common share purchase warrants entitling the holder to purchase one common share on the same terms as the common share purchase warrants.

The fair value of the warrants of \$367,626 and the finder's fee warrants of \$73,525 were calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.91%
Expected volatility	84%
Expected life of warrants	2 years
Expected dividend yield	Nil

On December 31, 2007, the Company completed a non-brokered private placement of 70,563 units at a price of \$0.55 per unit for gross proceeds of \$38,810. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of \$0.80 per common share until December 31, 2008 and \$1.00 until December 31, 2009. If the average closing price of the common shares is over \$1.00 per common share for 20 consecutive trading days in the year ended December 31, 2008 or \$1.20 per common share in the year ended December 31, 2009, the common share purchase warrants must be exercised within ten business days of receiving written notice from the Company or they are to be terminated.

On December 31, 2007, the Company completed a non-brokered private placement of 659,833 units at a price of \$0.60 per unit for gross proceeds of \$395,900. Each unit consisted of one common share issued on a flow-through basis under the *Income Tax Act (Canada)* and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of \$0.90 per common share until December 7, 2008 and \$1.10 per common share until December 31, 2009. If the average closing price of the common shares is over \$1.10 per common share for 20 consecutive trading days in the year ended December 31, 2008 or \$1.30 in the year ended December 31, 2009, the common share purchase warrants must be exercised within ten business days of receiving written notice from the Company or they are to be terminated.

The Company paid a 7% finder's fee of \$30,430 and issued 73,039 finder's fee common share purchase warrants entitling the holder to purchase one common share on the same terms as the common share purchase warrants.

The fair value of the warrants of \$48,419 and the finder's fee warrants of \$10,509 were calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.91%
Expected volatility	84%
Expected life of warrants	2 years
Expected dividend yield	Nil

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On December 23, 2008, the Company completed a non-brokered private placement of 5,000,000 units at a price of \$0.10 per unit for gross proceeds of \$500,000. Each unit consisted of one common share issued on a flow-through basis pursuant to the Income Tax Act (Canada) and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share at a price of \$0.15 per common share until December 23, 2010. In connection with the private placement, the Company paid a due diligence fee of \$20,000; paid a finder's fee of \$25,000, representing 5% of the gross proceeds; and issued 500,000 finders fee warrants entitling the holder to purchase one common share at a price of \$0.15 per common share until December 23, 2010.

The fair value of the warrants of \$65,550 and the finders fee warrants of \$13,110 was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.21%
Expected volatility	114%
Expected life of options	2 years
Expected dividend yield	Nil

Stock options

Under a fixed stock option plan, the Company may grant options to its employees for up to 9,000,000 common shares (2008 – 7,000,000). The exercise price of each option shall be determined by the Board of Directors, which shall be greater than the closing price of the Company's common shares on the date immediately preceding the date of grant, less any applicable discount under the policies of the Toronto Venture Exchange. Options may be granted for a maximum term of 5 years and vest in four 25% installments on the date of grant, 6 months after the date of grant, 12 months after the date of grant and 18 months after the date of grant.

A summary of the Company's fixed stock options outstanding and exercisable at March 31, 2009 is presented below:

	Number of options	Weighted- average exercise price \$
Balance, March 31, 2007	3,487,500	0.22
Granted	550,000	0.45
Exercised	(85,000)	0.22
Balance, March 31, 2008	3,952,500	0.25
Granted	2,050,000	0.37
Cancelled	(50,000)	0.20
Balance, March 31, 2009	5,952,500	0.29
Options exercisable	4,852,500	0.27

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A summary of the Company's fixed stock options outstanding and exercisable at March 31, 2009 is presented below:

Exercise price	Options outstanding	Options exercisable	Expiry date
\$0.20	2,450,000	2,450,000	January 9, 2011
\$0.20	462,500	462,500	January 16, 2011
\$0.25	250,000	250,000	February 1, 2011
\$0.40	90,000	90,000	March 29, 2011
\$0.45	100,000	100,000	August 25, 2011
\$0.45	250,000	250,000	September 19, 2009
\$0.45	300,000	225,000	October 10, 2012
\$0.35	450,000	225,000	June 12, 2013
\$0.37	1,600,000	800,000	June 24, 2013
	5,952,500	4,852,500	

The fair value of options issued was determined using the Black-Scholes option pricing model with the following assumptions:

Date of Grant	September 19, 2007	October 10, 2007	June 12, 2008	June 24, 2008
Number	250,000	300,000	450,000	1,600,000
Expiry date	September 19, 2009	October 10, 2012	June 12, 2013	June 24, 2013
Exercise price	\$0.45	\$0.45	\$0.35	\$0.37
Fair value	\$47,134	\$108,787	\$113,000	\$430,000
Risk-free interest rate	4.25%	4.39%	3.59%	3.59%
Expected volatility	87%	110%	91%	91%
Expected life of options	2 years	5 years	5 years	5 years
Expected dividend yield	0%	0%	0%	0%

The fair value for options issued during the year of \$543,000 (2008 - \$155,921) is being expensed as stock-based compensation over the vesting period of the options.

Warrants

A summary of the Company's warrants is presented below:

	Number of warrants	Weighted-average exercise price \$
Balance, March 31, 2007	6,569,245	0.84
Granted	4,108,136	0.98
Exercised	(1,578,087)	0.19
Expired	(16,908)	0.18
Balance, March 31, 2008	9,082,386	1.02
Issued	3,000,000	0.15
Expired	(5,644,149)	1.03
Balance, March 31, 2009	6,438,237	0.60

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A summary of the Company's warrants outstanding at March 31, 2009 is presented below:

Exercise price	Warrants outstanding	Expiry date
\$0.90 until December 7, 2008 and \$1.10 until December 7, 2009	2,500,000	December 7, 2009
\$0.90 until December 7, 2008 and \$1.10 until December 7, 2009	500,000	December 7, 2009
\$0.80 until December 7, 2008 and \$1.00 until December 7, 2009	35,281	December 7, 2009
\$0.90 until December 7, 2008 and \$1.10 until December 31, 2009	329,917	December 31, 2009
\$0.90 until December 7, 2008 and \$1.10 until December 31, 2009	73,039	December 31, 2009
\$0.15	3,000,000	December 23, 2010
	6,438,237	

	\$
Balance, March 31, 2007	1,136,748
Fair value of warrants issued	495,964
Fair value of finders fee warrants	101,973
Fair value of warrants exercised	(143,858)
Balance, March 31, 2008	1,590,827
Fair value of warrants issued	78,660
Fair value of warrants expired	(1,090,743)
Balance, March 31, 2009	578,744

Contributed surplus

	\$
Balance, March 31, 2007	636,025
Fair value of options exercised	(21,145)
Stock-based compensation	249,440
Balance, March 31, 2008	864,320
Stock-based compensation	417,335
Balance, March 31, 2009	1,281,655

7. Capital disclosures

Capital of the Company consists of the components of shareholders' equity. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to explore and develop its mineral resource properties and for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company, it has no revenues and its principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company will spend its existing working capital and raise additional funds as required.

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

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8. *Financial instruments and risk management*

Fair value

The carrying value of cash, accounts payable and accrued liabilities approximates fair value due to the short-term nature of these financial instruments. Marketable securities and investment in Bear Lake are recorded at fair value.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk interest rate risk and commodity price risk.

Currency risk

As the majority of the Company's expenditures are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash in Canadian dollars.

Market risk

Market risk arises from the possibility that changes in market prices will affect the value of financial instruments. The Company is exposed to fair value fluctuations on its marketable securities and investment in Bear Lake. The Company estimates that if the fair value of its marketable securities as at March 31, 2009 had changed by 25%, with all other variables held constant, the net loss would have decreased or increased by \$19,606.

Credit risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's limits its exposure to credit risk by holding its cash in deposits with high credit quality Canadian financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure as outlined in note 7. Substantially all of the Company's accounts payable and accrued liabilities have been outstanding over 90 days and the amount due to Eloro is payable on demand.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

9. *Income taxes*

Future income tax recovery

During the year ended March 31, 2009, the Company issued \$500,000 (2008 - \$4,646,650) of flow-through common shares pursuant to the Income Tax Act (Canada). On February 28, 2009, the deductions for income tax purposes of the related expenditures were renounced to the subscribers of the flow-through shares. Share capital was reduced and future income tax liability was increased by \$180,000 (2008 - \$1,234,000), representing the income tax benefits the expenditures renounced by the Company to the subscribers. However, since the Company had unrecorded loss carryforwards, the Company recorded a recovery of future income taxes of \$379,000 (2008 - \$647,411).

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 33% (2008 - 33.5%) to the pre-tax net loss for the year. The reasons for the difference are as follows:

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	2009	2008
	\$	\$
Income tax recovery based on statutory rate	573,000	228,000
Stock-based compensation	(65,000)	(38,000)
Share issue costs	65,000	—
Non-taxable portion of capital gain on sale of mineral properties	(9,000)	—
Future tax benefit not realized	(99,000)	—
Other	(68,000)	75,411
Change in valuation allowance	(18,000)	382,000
	<u>379,000</u>	<u>647,411</u>

Future income tax assets and liabilities

The Company's future income tax assets and liabilities were as follows:

	2009	2008
	\$	\$
Asset		
Non-capital loss carryforward	814,000	539,000
Unrealized capital losses on investments	218,000	199,000
	<u>1,032,000</u>	<u>738,000</u>
Valuation allowance	(279,000)	(261,000)
	<u>753,000</u>	<u>477,000</u>
Liabilities		
Mineral resource properties	(2,012,000)	(1,935,000)
	<u>(1,259,000)</u>	<u>(1,458,000)</u>

Due to losses incurred in the current year and expected future operating results, management determined that it is more likely than not that the future income tax assets will not be realized, and accordingly, a valuation allowance has been recorded for the future income tax assets.

Losses carried forward

At March 31, 2009, the Company had non-capital loss carryforwards which expire as follows:

	\$
2010	36,000
2011	70,000
2015	104,000
2026	286,000
2027	616,000
2028	740,000
2029	958,000
	<u>2,810,000</u>

Resource deductions

At March 31, 2009, the Company had resource deductions of \$2,078,000 which may be carried forward indefinitely to reduce taxable income in future years.

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10. Related party transactions

During the year, consulting fees included \$176,952 (2008 - \$174,837) paid or payable to two companies controlled by two directors of the Company and to two companies controlled by officers of the Company. Mineral resource properties included \$382,381 (2008 - \$479,336) and oil and gas properties included \$44,499 of exploration expenditures paid or payable to two companies controlled by a director of the Company and two companies controlled by officers of the Company. Accounts payable and accrued liabilities includes \$67,139 (2008 - \$42,133) owing to three companies controlled by one director and two officers of the Company. These transactions were in the normal course of business and are recorded at an exchange value established and agreed upon by the related parties. See "Investment in Bear Lake Gold Ltd." (note 3) for other related party transactions.

11. Contingency

Under the terms of the merger and amalgamation agreements between the Company and Sovereign Capital Group (Ont) Limited ("Sovereign") which were terminated on August 29, 2002, Sovereign agreed to pay all costs incurred by the Company pursuant to the proposed amalgamation ("Amalgamation Costs"), whether or not the amalgamation was completed. The Company incurred approximately \$70,000 of Amalgamation Costs, which have not yet been paid by Sovereign. Of that amount, the Company has paid or settled \$38,934, which were included as accounts receivable from Sovereign as at March 31, 2006. The Company has received a judgment of \$124,630 against Sovereign and is pursuing the collection of the judgment. As at March 31, 2007, the Company wrote off the accounts receivable of \$38,934, however, no amount has been recorded in the statement of operations for Amalgamation Costs for the collection of the judgment.

12. Supplementary information

	2009 \$	2008 \$
Non-cash transactions		
Issue of common shares for:		
Mineral resource properties	21,000	212,625
Oil and gas properties	345,000	—
Share issue costs	—	30,000
Option payment (note 4)	—	15,000
Option payment received in shares	—	60,000
<hr/>		
Supplementary information		
Interest paid	—	—
Income taxes paid	—	—
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13. Subsequent events

Acquisition of mineral resource property

On June 12, 2009, the Company entered into a letter of agreement to acquire an option to earn a 50% interest in the Simkar gold property consisting of 225.63 hectares. In order to earn its interest, the Company was to make option payments, issue common shares and incur exploration expenditures, as follows:

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	Option payments \$	Common shares	Exploration expenditures \$
To earn 50% interest			
On closing	50,000	750,000	-
1 year after closing	100,000	750,000	750,000
2 years after closing	100,000	1,500,000	1,250,000
3 years after closing	100,000	1,500,000	2,000,000
	350,000	4,500,000	4,000,000

The closing of the letter agreement is subject to the receipt of all required regulatory and board approvals.

Abandonment of mineral resource properties

Subsequent to March 31, 2009, the Company abandoned the Taiga, Eastmain 2, Eastmain 3, Rupert North, Lac Mills, Gaval, Meech, Maguy Zone, Zone 90 and Zone 99 mineral resource properties, and accordingly, the Company recorded a writedown of \$217,021 as at March 31, 2009.

14. Comparative figures

Comparative figures have been reclassified to conform to the current year's presentation. The net loss previously reported has not been affected by these reclassifications.