

Eloro Resources Ltd.

(an exploration stage company)

Financial Statements

September 30, 2009

(unaudited)

Management's Comments on Unaudited Interim Financial Statements

These unaudited interim financial statements of Eloro Resources Ltd. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited interim financial statements have not been reviewed by the Company's external auditors.

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

	As at September 30, 2009 \$ (unaudited)	As at March 31, 2009 \$
Assets		
Current		
Cash	381,150	233,678
Marketable securities	60,000	21,000
Accounts receivable	22,417	173,457
Investment in Bear Lake Gold Ltd. (note 3)	27,500	29,375
Prepaid expenses	21,190	49,048
	512,258	506,558
Mineral resource properties (note 4)	8,700,112	9,018,026
	9,212,370	9,524,584
Liabilities		
Current		
Accounts payable and accrued liabilities	679,832	572,395
Future income taxes	1,259,000	1,259,000
	1,938,832	1,831,395
Shareholders' equity		
Share capital (note 5)	10,424,422	10,364,422
Warrants (note 5)	578,744	578,744
Contributed surplus (note 5)	1,413,939	1,281,655
Deficit	(5,143,567)	(4,531,632)
	7,273,538	7,693,189
	9,212,370	9,524,584

See accompanying notes to financial statements

Approved by the Board:

Thomas Larsen
Director

Paul Ankcorn
Director

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

	3 months ended September 30,		6 months ended September 30,		Cumulative since October 1,
	2009	2008	2009	2008	2004
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
			\$	\$	\$
General and administrative expenses					
Professional fees	25,413	27,439	31,692	32,439	182,020
Consulting fees	46,163	54,950	85,163	101,450	853,031
Stock-based compensation	63,876	87,365	132,284	242,605	1,556,438
Investor relations	-	-	6,000	-	114,000
General and office	37,417	32,897	55,877	72,293	695,357
Part XII.6 tax	-	134,720	-	134,721	134,721
	172,869	337,372	311,017	583,508	3,535,567
Loss before the undernoted	(172,869)	(337,372)	(311,017)	(583,508)	(3,535,567)
Interest	-	7,261	-	18,829	90,168
Gain on sale of mineral resource properties	-	-	-	-	382,500
Gain on settlement of accounts payable	-	-	-	-	11,426
Loss on sale of marketable securities	-	-	-	-	(14,735)
Unrealized gain on marketable securities	10,500	(11,500)	27,000	(11,500)	(67,000)
Unrealized gain on investment in Bear Lake Gold Ltd.	(50,000)	(66,250)	(1,875)	(41,250)	(50,000)
Writedown of accounts receivable	-	-	-	-	(38,934)
Writedown of investment in Bear Lake Gold Ltd.	-	-	-	-	(190,000)
Writedown of mineral resource properties	(326,043)	-	(326,043)	-	(1,012,861)
Provision for amount due from Wavex International Inc.	-	-	-	-	(17,946)
Provision for amount due from Northfield Metals Inc.	-	-	-	-	(23,482)
Loss before income taxes	(538,412)	(407,860)	(611,935)	(617,430)	(4,466,430)
Future income tax recovery	-	-	-	-	1,206,488
Loss and comprehensive loss	(538,412)	(407,860)	(611,935)	(617,430)	(3,259,942)
Deficit, beginning of period	(4,605,155)	(3,384,850)	(4,531,632)	(3,175,281)	(1,883,625)
Deficit, end of period	(5,143,567)	(3,792,711)	(5,143,567)	(3,792,711)	(5,143,567)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)	
Weighted average number of shares outstanding- basic and diluted	59,227,266	52,613,135	59,048,898	52,988,898	

See accompanying notes to financial statements

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

	3 months ended September 30,		6 months ended September 30,		Cumulative since October 1,
	2009	2008	2009	2008	2004
	\$	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash provided by (used in)					
Operating activities					
Loss	(538,412)	(407,860)	(611,935)	(617,430)	(3,259,942)
Stock-based compensation	63,876	87,365	132,284	242,605	1,556,438
Gain on sale of mineral resource properties	-	-	-	-	(382,500)
Gain on settlement of accounts payable	-	-	-	-	(11,426)
Loss on sale of marketable securities	-	-	-	-	14,735
Unrealized loss on marketable securities	(10,500)	11,500	(27,000)	11,500	67,000
Unrealized gain on investment in Bear Lake Gold Ltd.	50,000	66,250	1,875	41,250	50,000
Writedown of accounts receivable	-	-	-	-	38,934
Writedown of investment in Bear Lake Gold Ltd.	-	-	-	-	190,000
Writedown of properties	326,043	-	326,043	-	1,012,861
Provision for amount due from Wavex International Inc.	-	-	-	-	17,946
Provision for amount due from Northfield Metals Inc.	-	-	-	-	23,482
Future income tax recovery	-	-	-	-	(1,206,488)
	(108,993)	(242,745)	(178,733)	(322,075)	(1,888,960)
Changes in non-cash operating working capital					
Accounts receivable	166,900	(38,480)	151,039	27,850	(26,824)
Deposit	-	(3,588)	-	-	-
Prepaid expenses	20,358	172,511	27,858	(24,114)	(21,190)
Accounts payable and accrued liabilities	20,471	(17,718)	107,437	(17,718)	570,215
	98,735	(130,020)	107,600	(336,057)	(1,366,760)
Financing activities					
Issue of common shares	-	-	-	-	1,325,678
Issue of flow-through common shares	-	-	-	-	8,067,450
Exercise of warrants	-	-	-	-	1,315,896
Exercise of options	-	-	-	-	71,500
Share issue costs	-	-	-	-	(843,299)
	-	-	-	-	9,937,225
Investing activities					
Purchase of marketable securities	-	-	-	-	(81,000)
Proceeds on sale of marketable securities	-	-	-	-	66,265
Advance to Wavex International Inc.	-	-	-	-	(17,946)
Mineral resource properties	(125,849)	(643,564)	39,871	(885,135)	(8,032,033)
Oil and gas properties	-	(62,119)	-	(62,119)	(124,796)
	(125,849)	(705,683)	39,871	(947,254)	(8,189,510)
Net increase (decrease) in cash	(27,114)	(835,703)	147,472	(1,283,310)	380,955
Cash, beginning of period	408,264	1,662,051	233,678	2,109,659	195
Cash, end of period	381,150	826,348	381,150	826,348	381,150

See accompanying notes to financial statements

Supplementary information (note 9)

Eloro Resources Ltd.

(an exploration stage company)

Notes to Financial Statements

September 30, 2009

(unaudited)

1. Nature of operations

Eloro Resources Ltd. (the "Company") was incorporated under the laws of Ontario. The Company operates solely in the exploration and development of mineral properties and extraction of base metals 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 September 30, 2009, the Company had a working capital deficit of \$167,575, which included cash of \$381,150, 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 substantially 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. Accounting presentation and disclosures

These financial statements of the Company have been prepared using accounting policies that are consistent with the policies used in preparing the Company's annual financial statements, except as outlined below under "Accounting changes". Generally accepted accounting principles for interim financial statements do not conform in all respects to the disclosures required for annual financial statements, and accordingly, these financial statements should be read in conjunction with the annual financial statements.

Accounting changes

On April 1, 2009, the Company adopted CICA Handbook Section 3031, "Inventories", which replaced Section 3030. The new standard requires that inventories be measured at the lower of cost and the net realizable value, provides guidelines on determining cost, prohibits the use of the last-in, first-out method (LIFO) and requires the reversal of a previous write-down when the value of inventories increases.

On April 1, 2009, the Company adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets" which replaced Section 3062. Concurrent with the introduction of this standard, the CICA withdrew EIC27, Revenues and Expenses during the pre-operating period. 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.

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

Future accounting changes

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.

International Financial Reporting Standards ("IFRS"):

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian generally accepted accounting principles 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. Accordingly, the Company will report interim and annual financial statements in accordance with IFRS commencing with the interim financial statements for the 3 months ended June 30, 2012. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 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.

3. Investment in Bear Lake Gold Ltd. (formerly NFX Gold Inc.)

The Company acquired an investment with an exchange value of \$267,500 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 September 30, 2009, the fair value of the investment in Bear Lake Gold Ltd. was \$27,500. One director of Bear Lake Gold Ltd. is a director of the Company.

4. Mineral resource properties

Property	March 31, 2009 \$	Acquisition costs \$	Exploration \$	Writedown \$	September 30, 2009 \$
<i>Ontario</i>					
Hurdman	2,446,355	-	11,373	-	2,457,728
Turnbull	56,975	-	(6,000)	-	50,975
Price Township	63,584	-	(6,000)	-	57,584
McArthur Lake	39,968	-	1,348	-	41,317
Agate/Gurney	326,043	-	-	(326,043)	-
Douglas	21,000	-	-	-	21,000
	2,953,926	-	722	(326,043)	2,628,604
<i>Quebec</i>					
James Bay	234,147	-	(18,144)	-	216,003
Horseshoe	152,295	-	2,908	-	155,203
Lemoyne North	580,111	-	(15,846)	-	564,265
Sakami	55,487	-	16,036	-	71,524
Amelie Lake	768,248	-	(48,045)	-	720,203
La Grande North	31,039	20,000	(65)	-	50,974
Summit-Gaber	202,879	-	69,398	-	272,277
Eastmain	882,154	-	(32,780)	-	849,374
Delta	2,201,273	-	(96,473)	-	2,104,800
Rupert	492,105	-	(18,489)	-	473,616
Otish	464,363	-	(11,820)	-	452,543
Simkar	-	110,000	30,727	-	140,726
	6,064,102	130,000	(122,593)	-	6,071,508
	9,018,028	130,000	(121,871)	(326,043)	8,700,112

Acquisition of Simkar gold property

On August 14, 2009, the Company acquired 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 must make option payments, issue common shares and incur exploration expenditures, as follows:

	Option payments \$	Common shares	Exploration expenditures \$
To earn 50% interest			
On closing (paid and issued)	50,000	750,000	-
August 14, 2010	100,000	750,000	750,000
August 14, 2011	100,000	1,500,000	1,250,000
August 14, 2012	100,000	1,500,000	2,000,000
	<u>350,000</u>	<u>4,500,000</u>	<u>4,000,000</u>

After August 14, 2010, the Company has the option to extend the August 14, 2011 or August 14, 2012 date for exploration expenditures by 6 months by issuing 100,000 common shares.

Option granted to Shield Gold Inc. for Summit Gaber

On October 15, 2009, the Company amended a letter of intent, initially entered into on July 31, 2009, to grant Shield Gold Inc. ("Shield") an option to acquire a 50% interest in the Summit-Gaber property. In order to earn its interest, Shield must issue common shares, make option payments and incur exploration expenditures as follows:

	Common shares	Option payment \$	Exploration expenditures \$
To earn 50% interest			
On or before November 30, 2009	-	25,000	-
On closing	100,000	25,000	-
1 year after closing	-	30,000	250,000
2 years after closing	200,000	-	450,000
3 years after closing	300,000	-	800,000
	<u>600,000</u>	<u>80,000</u>	<u>1,500,000</u>

The proposed transaction will serve as Shield's Qualifying Transaction as defined by Policy 2.4 of the TSX Venture Exchange ("TSX-V") and is subject to the approval of the TSX-V. Closing is conditional upon Shield obtaining TSX-V approval by March 15, 2010. One director of the Company is a director and officer of Shield.

Abandonment of Agate/Gurney

The Company elected to abandon its 100% interest in the Agate/Gurney zinc/silver property claims located in the Agate and Gurney Township in Ontario, and accordingly, the Company recorded a writedown of \$326,043.

5. Share capital

Share capital consists of the following issued and outstanding common shares:

	Number of common shares	Amount \$
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)
Balance, March 31, 2009	<u>58,868,570</u>	<u>10,364,422</u>
Issued for option payment	750,000	60,000
Balance, September 30, 2009	<u>59,618,570</u>	<u>10,424,422</u>

Stock options

A summary of the Company's fixed stock options outstanding and exercisable September 30, 2009 is presented below:

	Number of options	Weighted- average exercise price \$
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
Expired	(250,000)	0.45
Balance, September 30, 2009	5,702,500	0.28
Options exercisable	5,190,000	0.27

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	300,000	300,000	October 10, 2012
\$0.35	450,000	337,500	June 12, 2013
\$0.37	1,600,000	1,200,000	June 24, 2013
	5,702,500	5,190,000	

Warrants

A summary of the Company's warrants outstanding at September 30, 2009 is presented below:

	Number of warrants	Weighted- average exercise price \$
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 and September 30, 2009	6,438,237	0.60

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, 2008	1,590,827
Fair value of warrants issued	78,660
Fair value of warrants expired	(1,090,743)
<u>Balance, March 31, 2009 and September 30, 2009</u>	<u>578,744</u>

Contributed surplus

	\$
Balance, March 31, 2008	864,320
Stock-based compensation	417,335
<u>Balance, March 31, 2009</u>	<u>1,281,655</u>
Stock-based compensation	132,284
<u>Balance, June 30, 2009</u>	<u>1,413,940</u>

6. Related party transactions

During the 6 months ended September 30, 2009, consulting fees included \$83,663 (2008 - \$78,000) paid to companies controlled by one director and three officers of the Company. Mineral resource properties included exploration expenditures of \$111,699 (2008 - \$23,595) paid to a company controlled by an officer of the Company, of which, \$87,830 was owing as at September 30, 2009. These transactions were in the normal course of business and are recorded at an exchange value established and agreed upon by the related parties.

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.

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 and interest rate 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 September 30, 2009 had changed by 25%, with all other variables held constant, the net loss would have decreased or increased by \$21,875.

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. Supplementary information

	2009 \$	2008 \$
Non-cash transactions		
Option payment received in shares	12,000	—
Option payment paid in common shares	60,000	—
<hr/>		
Supplementary information		
Interest paid	—	—
Income taxes paid	—	—
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10. 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. The Company has received a judgment of \$124,630 plus costs to be assessed against Sovereign and is pursuing the collection of the judgment. No amount has been recorded in the statement of operations for Amalgamation Costs or the collection of the judgment.

11. Subsequent event

On October 1, 2009 and November 17, 2009, the Company announced its intention to complete a private placement of up to 9,000,000 units at a price of \$0.10 per unit for gross proceeds of up to \$900,000. Each unit will consist of one common share 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 share for 18 months after the closing of the private placement, provided that, if the closing for the common shares is at least \$0.20 per share for 20 consecutive trading days following the expiry of the hold period, the Company may accelerate the expiry date on not less than 30 days' notice.

ELORO RESOURCES LTD.
(the “Company”)

MANAGEMENT’S DISCUSSION & ANALYSIS (“MD&A”)

Date

This MD&A is dated November 27, 2009, and should be read in conjunction with the unaudited interim financial statements for the 6 months ended September 30, 2009.

Overall Performance

The Company’s common shares trade on Tier 2 of the TSX Venture Exchange as a mining issuer under the trading symbol ELO. The Company is a reporting issuer in British Columbia, Alberta and Ontario. The Company’s common shares also trade on the Frankfurt Stock Exchange under WKN 909833.

Simkar Gold Project, Option and Joint Venture, Val d’Or, Quebec

On August 14, 2009, the Company acquired an option from Megastar Development Corp. (“Megastar”) to earn a 50% interest in the Simkar gold project (“Simkar Project”) consisting of 225.63 hectares. In order to earn its interest, the Company must make option payments, issue common shares and incur exploration expenditures, as follows:

	Option payments	Common shares	Exploration expenditures
	\$		\$
To earn 50% interest			
On closing (paid and issued)	50,000	750,000	–
August 14, 2010	100,000	750,000	750,000
August 14, 2011	100,000	1,500,000	1,250,000
August 14, 2012	100,000	1,500,000	2,000,000
	350,000	4,500,000	4,000,000

Note: After August 14, 2010, the Company has the option to extend one of the August 14, 2011 or August 14, 2012 dates for exploration expenditures by 6 months by issuing 100,000 common shares.

The Simkar Project is a former producer and is located within the Abitibi Greenstone Belt that hosts a thick sequence of east-west trending, near vertical dipping volcanic flows and pyroclastics of the Malartic Group (the “North Rhyolite”) that also includes quartz-feldspar porphyry dykes and sills, closely associated with the lode gold vein mineralization and the, little-investigated to date, Noranda- or Matagami-type volcanogenic massive sulphide (or “VMS”) deposits. The higher gold grade, intrusion-centered gold-quartz-tourmaline vein system is similar to the 9 million ounce Sigma-Lamaque Gold Deposit in Val-d’Or and many other gold deposits in the Abitibi Belt. Prior gold production on the Simkar Project (1946-1949) came from extensive underground workings along three main zones (A, B and C Zones). More recent exploration outlined three new gold zones (Pillar Zone, F Zone, and Montana Zone) and identified one high potential structure, the East Zone Shear.

The Simkar Project has been the subject of two National Instrument (“NI”) 43-101 compliant technical reports, one in 2004 and a second in 2008. The first was titled “*Technical Report (NI 43-101 F1) on the 2004 drilling Program, Simkar Property (Val-d’Or, Quebec), Louvicourt Township, Province of Quebec, Canada (NTS: 32C04)*”, by C. Pelletier, B. Sc., P. Geo. (of InnovExplo Inc.), dated December 6, 2004. The 2008 report was titled “*Technical Report (NI 43-101) Simkar Property, Val d’Or, Quebec*” (the “Report”) was prepared by M. Bourgoin, P. Geo., of MRB & Associates, and R. Sandefur, P. Eng., of Chlumsky, Armbrust

and Meyer LLC. Both reports are available on SEDAR at www.sedar.com (under Megastar Development Corp).

Following the original discovery, the Simkar Project produced 261,590 tons of ore grading 0.123 oz/ton gold for 30,500 ounces of gold from 1947 to 1949. This production was from the A, B and C Zones. Operations were suspended due to increased mining costs at a time of fixed gold prices.

From 1987 to 1993, over \$12 million of surface exploration and underground development work was completed on the Simkar Project. The exploration work successfully defined significant gold mineralization in the extensions of the previously mined A,B and C Zones, as well as defining new gold resources in three new gold bearing structures, the East, F, and Pillar Zones. Subsequently, the existing underground workings were dewatered and new underground development was completed to access the East Zone on two levels. This underground development work led to the extraction of 71,068 tonnes grading 8.42 g/t gold for approximately 20,000 ounces of gold.

Megastar acquired all rights, titles and interests of the Project in 1996. Since then, Megastar completed ground geophysics; surface diamond drilling totaling 8,000 m in 26 holes; and integrated the former Simkar Gold Mine underground workings into a GEMCOM™ GEMS 3-D mine model. This work led to the Report and mineral resource estimates in 2008 which are outlined in the following table to a vertical depth of -200 m:

SIMKAR GOLD DEPOSIT			
TOTAL INFERRED RESOURCES*			
CUT-OFF (g/t gold)	TONNES	GRADE (g/t gold)	TOTAL CONTAINED GOLD OUNCES
1.0	1,482,000	3.01	143,160
2.0	641,050	5.10	105,100
3.0	347,400	7.32	81,800
5.0	188,750	10.23	62,100

* Numbers may be rounded for simplicity.

The Company's plan going forward is to enhance the 3-D mine model with detailed interpretation work in preparation of a drill program to test the down plunge extension of all of the gold structures below the 200 m vertical depth, particularly on the East Zone Shear, where the gold grades are higher than those defined elsewhere on the Simkar Project. The Company is of the opinion that the presence of higher grade tension veins intersected by Megastar in the 2007 surface diamond drilling work (140.0 g/t gold over 0.5 m, 99.8 g/t gold over 0.3 m, 33.9 g/t gold over 1.0 m, and 31.0 g/t gold over 0.5 m) represents strong evidence of the similarities of the Simkar Project gold deposit with the 9 million ounce Sigma–Lamaque Gold Deposit located 20 km to the west.

Future exploration programs at the Simkar Project are contingent upon the Company raising an adequate amount of financing. The Company is required to incur \$750,000 in exploration expenditures and make an option payment of \$100,000 on or before August 14, 2010.

Option Granted to Shield Gold Inc. for Summit-Gaber Property

On October 15, 2009, the Company amended a letter of intent, initially entered into on July 31, 2009, to grant Shield Gold Inc. ("Shield") an option to acquire a 50% interest in the Summit-Gaber property. In order to earn its interest, Shield must issue common shares, make option payments and incur exploration expenditures as follows:

To earn 50% interest	Common shares	Option payment	Exploration expenditures
		\$	\$
On or before November 30, 2009	–	25,000	–
On closing	100,000	25,000	–
1 year after closing	–	30,000	250,000
2 years after closing	200,000	–	450,000
3 years after closing	300,000	–	800,000
	600,000	80,000	1,500,000

The proposed transaction will serve as Shield's Qualifying Transaction as defined by Policy 2.4 of the TSX Venture Exchange ("TSX-V") and is subject to the approval of the TSX-V. Closing is conditional upon Shield obtaining TSX-V approval by March 15, 2010. One director of the Company is a director and officer of Shield.

Option Granted to Nebu Resources Inc. for 10 Mining Claims in Turnbull and Price Townships, Ontario

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.

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

To earn 50% interest	Common shares	Exploration expenditures
		\$
On closing (received)	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.

MLNP and Douglas Properties, Ontario – Fletcher Nickel Inc. Option

On April 8, 2008 the Company granted Fletcher Nickel Inc. (TSX: FL) ("Fletcher Nickel") an option to acquire a majority operating interest in the Company's MLNP and Douglas Township Properties located in McArthur, Douglas and Bartlett Townships in northern Ontario. The MLNP and Douglas Township Properties cover 15 claims (183 claim units) in the belt of komatiites extending northward from Fletcher

Nickel's Texmont Project, which includes the developed Texmont Nickel Mine to the south, plus extensive mineral claims adjoining the mine leases to the west and south.

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 (received)	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
	<hr/> 200,000	<hr/> 1,000,000

The Company has received a report from Fletcher Nickel documenting that the exploration expenditure requirement of \$150,000 by July 8, 2009 had been met and the Company is currently reviewing the report. Fletcher Nickel has issued 50,000 common shares to the Company pursuant to the option agreement.

The Hurdman Property, Ontario – Exploration Update

The Company's wholly-owned Hurdman zinc-silver-gold ("Hurdman Property") property comprises 28 claims, covering 66 km² located 120 km north of Timmins in northern Ontario and approximately 75km north of Xstrata's Kidd Creek Mill Operations.

On April 8, 2009, the Company announced assay results from a 1,940m/10 hole diamond drilling campaign initiated in November 2008 at the Hurdman Property. Following the synthesis and interpretation of an airborne, deep penetrative VTEM survey completed in May 2008 that identified priority drilling targets, the 2008 drill program was designed to test a number of VTEM anomalies on the Hurdman Property for potential massive sulphide mineralization and to delineate the lateral extensions of the Hurdman Sulphide Zone ("HSZ") to the north and east with the objective of adding continuity to the known mineralization.

Previous drilling by the Company on the HSZ intersected mineralization comprising mainly pyrrhotite-pyrite (iron sulphides) with sphalerite (zinc sulphide), gahnite (zinc aluminum oxide), and minor galena (lead sulphide) and chalcopyrite (copper sulphide). Although sulphide mineralization is disseminated throughout the mineralized zone, the main mineralization consists of two continuous, shallowly north-dipping, semi-massive to massive sulphide zones up to 3m thick. The sulphides are also disseminated in veins and along fractures. Previous exploration and drilling by the Company delineated the HSZ over 300m in strike length and 200m down dip.

Additional drilling between the HSZ and the new intersections from recent drilling along strike and down-plunge to the northeast will be required to determine stratigraphic positions and continuity between zones. In addition, the HSZ and surrounding historic holes have demonstrated an apparent metal zoning that will be further studied with an eye to vectoring in to the source area of mineralization.

Continued exploration on the Hurdman Property by the Company is demonstrating that the zinc-rich mineralization is part of a "geophysical domain" consisting of clusters of point and linear VTEM anomalies linked to sulphides that occur with the zinc. There are 8 geophysical domains and 14 separate VTEM linears identified at the Hurdman Property. The domains are kilometeric in extent, for example, the domain that encompasses the known HSZ extends for 4km by 1km, and are bounded by NW to NE trending faults that are

interpreted to be the conduits for the mineralization.

The geological and mineralization characteristics of the HSZ bear similarity to Broken Hill-type mineralization. At Broken Hill, the mineralization occurs as strongly deformed, stacked sulphide lenses with gahnite and magnetite disseminated throughout. Individual lenses are up to tens of metres thick, and may extend hundreds of metres, often grading laterally into disseminated pyrite-pyrrhotite units that measure tens of kilometers. The individual sulphide lenses display stratigraphic metal zoning, typically of lead- and zinc-rich horizons, but also laterally as described above. At Hurdman, the stacked, highly deformed, and shallow dipping sulphide lenses, the accompanying alterations and metal zoning, the presence of gahnite, and the 4km of known strike length lend strong support to the interpretation of the HSZ as a Broken Hill-type of mineralization.

The Company's geological interpretation of the results has concluded that additional drilling is warranted. Drilling to date has demonstrated that mineralization is wide-spread on the Hurdman Property with zones extending over several kilometers. Historic drilling results from the nearby Agate Property, similar to those from the Hurdman Property, lead the Company to postulate that the Hurdman Property is located within a large mineralizing system capable of generating a sizeable massive sulphide ore body. Many geophysical targets on the Hurdman Property remain untested, and the Company intends to prioritize these targets for near term exploration and drilling.

During the three month period ended September 30, 2009, the Company elected to abandon its 100% interest in the Agate/Gurney zinc/silver property claims located in Agate and Gurney Townships in Ontario and accordingly, the Company recorded a writedown of \$326,043.

The Company intends to keep the wholly-owned Hurdman Property in good standing while the Company evaluates its strategy to maximize the property's potential. Future exploration programs at the Hurdman Property are contingent upon the Company raising an adequate amount of financing or entering into a strategic partnership with a third party for a joint venture on the property.

James Bay Properties, Quebec

Delta Property

On August 25, 2009, the Company announced it had taken delivery of a solicited Target Generation Survey Report (the "Report") for its wholly-owned Delta Copper-Zinc Property (the "Delta Property") in the James Bay Mining District. The Report was completed by A. Carrier, M. Sc, P. Geo., and P. L. Richard, B. Sc., GIT, of InnovExplo Inc. ("InnovExplo") of Val-d'Or (Quebec), and was titled "*Geochemical analyses and interpretation for the Delta Property, Province of Quebec, Canada*".

The Report utilized detailed geochemical analyses in conjunction with interpretation of existing InfiniTEM™ and airborne Magnetic and EM surveys to highlight the best potential Volcanogenic Massive Sulphide ("VMS") targets with Copper-Zinc mineralization. InnovExplo re-sampled the Company's diamond drill core from the 2007 and 2008 campaigns (taking a total of 198 samples at 30 m intervals). The samples were then submitted to the ALS Laboratories Group facility in Val-d'Or and processed for Multi-Element Whole-Rock Analysis (IME-ICP41 package) that included Gold, Silver, Zinc and Copper. Element correlation tables were constructed and interpolation work was conducted on 32 elements. Based on the evaluation of the correlation tables and the interpolation work, favorability maps for Gold, Silver, Copper, Zinc and Lead were generated using the Rastor Calculator in ArcGIS™ Software.

The Report states that there is potential for VMS-type (Zinc-Lead-Silver) mineralization mainly along the north limb of the Delta Antiform Structure (“DAS”); there is Vein-type (Gold) along the nose of the DAS; and there is Vein-type and potentially VMS (Copper-Gold-Silver-Molybdenum) mineralization mainly along the south limb of the DAS. On the north limb of the DAS, the mineralized volcano sedimentary belt extends over a length of about 6km from the Delta Property onto the Company’s Eastmain-1 Property, signifying a new area where similar mineralization can potentially be discovered. On the south limb of the DAS there is strong potential for additional sub-parallel veins in the immediate sector of the high-grade Delta NW Copper Showing, along with extension at depth. The distinction between mineralization types and their suggested spatial correlation could significantly increase the chances of drill success.

The Delta Property exhibits significant potential to find new mineralization. The authors of the Report recommend that the three mineralization types should be investigated separately, and the discordant NW trending high-grade Copper veins found on surface near the Lac Delta NW showing (south limb of the DAS) should be drill-tested. Based on the recommendations, The Company plans to determine the relationship between the higher grade Copper veins and the drill intersected Copper zone near the Delta NW Copper showing; investigate the potential link between the Delta NW Copper and Delta NW Zinc showings; and examine the potential for structurally controlled gold mineralization located in the hinge area.

Previous diamond drilling by the Company at the Delta Property totaled 3,100m in 14 holes. Significant intersections include the following: i) Drill hole D-07-1 intersected mineralization below a surface copper showing at 110m vertical depth and returned 1.10% copper over 6.15m and 2.87% copper over 4.35m, including 10.15% copper over 1.15m, ii) D-07-5, collared 100 m north west of D-07-1, undercut hole D-07-1 by 50 m and returned 0.75% copper over 2.00m, including a higher grade core containing 1.83% copper over 0.50m, and iii) Drill hole D-07-3, located 500 m to the northeast of D-07-1 and D-07-5 intersected at 140 m vertical depth below surface, 2.13% zinc and 35.2 g/t silver over 8.70 m, hosted within a wider interval of 1.20% zinc and 27.8 g/t silver over 17.50 m.

The Delta Property is wholly-owned by the Company and the Company intends to keep the claims in good standing. Future exploration programs at the Delta Property are contingent upon the Company raising an adequate amount of financing.

Eastmain 1 Property

An airborne survey conducted by the Company over the Delta Property also covered the southern portion of the Company's wholly-owned Eastmain 1 Property which is located adjacent to and immediately north of the Delta Property.

The survey outlined several conductive zones in an area which has never been explored. As a result, the Company completed 120 kms of line cutting in preparation for a ground geophysical survey (Maxmin EM survey) which will further explore the conductive zones outlined by the airborne survey. Targets generated by the Maxmin EM survey will be drill tested during a future drilling program.

The Eastmain 1 Property, together with a portfolio of other James Bay properties, is wholly-owned by the Company and the Company intends to keep the properties in good standing. Future exploration programs at the Eastmain 1 Property are contingent upon the Company raising an adequate amount of financing. The Company will continue to evaluate its strategy with respect to strategic partnerships for its James Bay portfolio of properties.

Virginia Mines Inc. / Eloro Resources Ltd. Joint Venture, Quebec

The Amelie Lake property is located in the eastern portion of the La Grande Archean Greenstone belt in the James Bay district. The Amelie Lake property is being explored pursuant to an option and joint venture agreement (the "Amelie Lake Agreement") with Virginia Mines Inc. whereby Eloro was granted the right to earn an undivided 50% interest in the Amelie Lake, Sakami, and Gaber properties, by making \$50,000 in option payments in either cash or shares, and by spending \$1 million in exploration work. Under the terms of the Amelie Lake Agreement, Eloro is the project operator during the earn-in phase and has the right to decide where to allocate the exploration efforts which must total \$1 million by November, 2011. The Amelie Lake property is located 5 kms north of the Company's wholly-owned Summit-Gabbre property and contains polymetallic soil anomalies in gold, copper (up to 11,800 ppm), nickel and cobalt.

The priority targets are associated with a hematite magnetite iron formation located along a 3 km strike length. This geological formation has been documented to contain coinciding Induced Potential (IP) and magnetic anomalies within an area where soil sampling work yielded anomalous polymetallic values (up to 11 800 ppm Cu). Surface rock samples (grab samples) of stringer type mineralization adjacent to the iron formation also returned values of up to 4.6% Copper and 16.9 g/t Silver (Source: MRNF GM-55906 Noranda Exploration, November 1997).

Exploration pursuant to the Amelie Lake Agreement commenced in late 2007, whereby the Company conducted surface diamond drilling using a helicopter supported program to investigate the source of the polymetallic mineralization identified in previous work by Noranda Exploration (MRNF GM-55906). To date, the Company has completed the required exploration commitments pursuant to the Amelie Lake Agreement. The Company has made \$50,000 in option payments and incurred \$768,248 in exploration expenditures. The Company has until November 2011 to spend an additional \$231,752 on the Amelie Lake property in order to earn a 50% interest in the property. Future exploration at the Amelie Lake property is contingent upon the Company raising an adequate amount of financing.

Financing

On October 1, 2009 and November 17, 2009, the Company announced its intention to complete a private placement of up to 9,000,000 units at a price of \$0.10 per unit for gross proceeds of up to \$900,000. Each unit will consist of one common share 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 share for 18 months after the closing of the private placement, provided that, if the closing for the common shares is at least \$0.20 per share for 20 consecutive trading days following the expiry of the hold period, the Company may accelerate the expiry date on not less than 30 days' notice.

The Company anticipates closing the private placement on or before December 16, 2009. The closing of the private placement is subject to regulatory approval. The net proceeds of the private placement will be used for working capital.

Risks and Uncertainties

The Company is exposed to financing risk as it is not in commercial production on any of its mineral resource properties, and accordingly, has no revenues. The Company finances its operations by raising capital in the equity markets. 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.

The Company is exposed to the inherent risks associated with mineral exploration and development, including the uncertainty of mineral resources and their development into mineable reserves; the uncertainty as to potential project delays from circumstances beyond the Company's control; and the timing of production; as well as title risks, risks associated with joint venture agreements and the possible failure to obtain mining licenses.

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

Results of Operations

6 months ended September 30

	2009	2008
	\$	\$
General and administrative expenses		
Professional fees	31,692	32,439
Consulting fees	85,163	101,450
Stock-based compensation	132,284	242,605
Investor relations	6,000	-
General and office	55,877	72,293
Part XII.6 tax	-	134,721
	<u>311,017</u>	<u>583,508</u>
Loss before the undernoted	(311,017)	(583,508)
Interest	-	18,829
Unrealized gain on marketable securities	27,000	(11,500)
Unrealized gain on investment in Bear Lake Gold Ltd.	(1,875)	(41,250)
Writedown of mineral resource properties	(326,043)	-
Loss	<u>(611,935)</u>	<u>(617,430)</u>

Although the loss in the 6 months ended September 30, 2009 is comparable to the same period in previous year, there were some variances, as follows:

- a) an decrease in amortization of stock-based compensation for stock options previously issued but not yet vested.
- b) a decrease in Part XII.6 tax as the Company had expended the proceeds of private placements of flow-through common shares during the year ended March 31, 2009.
- c) a writedown of \$326,043 related to the Company abandoning its 100% interest in the Agate/Gurney zinc/silver property claims located in Agate and Gurney Townships in Ontario.

3 months ended September 30

	2009	2008
	\$	\$
General and administrative expenses		
Professional fees	25,413	27,439
Consulting fees	46,163	54,950
Stock-based compensation	63,876	87,365
General and office	37,417	32,897
Part XII.6 tax	-	134,720
	<u>172,869</u>	<u>337,372</u>
Loss before the undernoted	(172,869)	(337,372)
Interest	-	7,261
Unrealized gain on marketable securities	10,500	(11,500)
Unrealized gain on investment in Bear Lake Gold Ltd.	(50,000)	(66,250)
Writedown of mineral resource properties	(326,043)	-
Loss	<u>(538,412)</u>	<u>(407,860)</u>

The increase in the loss in the 3 months ended September 30, 2009 is comparable to the same period in previous year was a primarily a result of the following:

- a) a decrease in Part XII.6 tax as the Company had expended the proceeds of private placements of flow-through common shares during the year ended March 31, 2009.
- b) a writedown of \$326,043 related to the Company abandoning its 100% interest in the Agate/Gurney zinc/silver property claims located in Agate and Gurney Townships in Ontario.

Summary of Quarterly Results

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2008	2008	2009	2009	2009	2009	2010	2010
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss)								
- Total	(147,536)	508,584	(209,569)	(407,860)	(228,212)	(510,711)	(73,523)	(538,412)
- Per share	Nil	0.01	Nil	(0.01)	Nil	(0.01)	Nil	(0.01)

Income for Quarter 4 of 2008 included a future income tax recovery of \$647,411 for the renunciation of flow-through expenditures. Loss for Quarter 2 of 2009 included \$134,720 for assessments of Part XII.6 tax. Loss for Quarter 2 of 2010 included a writedown of mineral resource properties of \$326,043.

Liquidity and Capital Resources

The Company is not in commercial production on any of its mineral resource properties, and accordingly, the Company has no revenues. The Company finances its operations by raising capital in the equity markets.

As at September 30, 2009, the Company had a working capital deficit of \$167,575, which included cash of \$381,150, 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 substantially

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.

On October 1, 2009 and November 17, 2009, the Company announced its intention to complete a private placement of up to 9,000,000 units at a price of \$0.10 per unit for gross proceeds of up to \$900,000. Each unit will consist of one common share 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 share for 18 months after the closing of the private placement, provided that, if the closing for the common shares is at least \$0.20 per share for 20 consecutive trading days following the expiry of the hold period, the Company may accelerate the expiry date on not less than 30 days' notice.

Transactions with Related Parties

	6 months ended September 30, 2009	Outstanding as at September 30, 2009
	\$	\$
Mineral resource properties		
MRB & Associates, a company controlled by Martin Bourgoin, for geological consulting services	111,699	87,830
Consulting fees		
847785 Ontario Ltd., a company controlled by Thomas G. Larsen, for his services as President and Chief Executive Officer of the Company	30,000	—
Marlborough Management Limited, a company controlled by Miles Nagamatsu, for his services as Chief Financial Officer of the Company.	24,000	—
J. Estepa Consulting Inc., a company controlled by Jorge Estepa, for his services as Vice President and Corporate Secretary of the Company	24,000	—
MRB & Associates, a company controlled by Martin Bourgoin, for his services as Executive Vice President Exploration of the Company	5,663	—

These transactions were in the normal course of business and are recorded at an exchange value established and agreed upon by the related parties.

Critical Accounting Estimates

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 impaired, those costs in excess of estimated recoveries are charged to operations.

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 amount shown for mineral resource properties does not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for mineral resource properties.

Stock-based compensation

Stock-based compensation is determined using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including the expected price volatility of the Company's common shares and the expected life of the options. Changes in these input assumptions can materially affect the estimate of fair value.

Changes in Accounting Policies including Initial Adoption

On April 1, 2009, the Company adopted CICA Handbook Section 3031, "Inventories", which replaced Section 3030. The new standard requires that inventories be measured at the lower of cost and the net realizable value, provides guidelines on determining cost, prohibits the use of the last-in, first-out method (LIFO) and requires the reversal of a previous write-down when the value of inventories increases.

On April 1, 2009, the Company adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets" which replaced Section 3062. Concurrent with the introduction of this standard, the CICA withdrew EIC27, Revenues and Expenses during the pre-operating period. 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.

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

Future Changes in Accounting Policies

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.

International Financial Reporting Standards (“IFRS”):

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian generally accepted accounting principles 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. Accordingly, the Company will report interim and annual financial statements in accordance with IFRS commencing with the interim financial statements for the 3 months ended June 30, 2012. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Provisions, including asset retirement obligations
- Stock-based compensation;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS:

Initial analysis of key areas for which changes to accounting policies may be required	In progress, expected to be completed by March 31, 2010
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Throughout 2010
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Throughout 2010
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption	Q4 2010 - Q1 2011
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q4 2010 – Q2 2011
Management and employee education and training	Throughout the transition process
Quantification of the financial statement impact of changes in accounting policies	Throughout 2011

Financial Instruments and Other Instruments

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 and interest rate 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 June 30, 2009 had changed by 25%, with all other variables held constant, the net loss would have decreased or increased by \$31,750.

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.

Other Information

Additional Disclosure for Venture Corporations without Significant Revenue

The following table sets forth a breakdown of material components of the general and administration costs, capitalized or expensed exploration and development costs of the Company for the periods indicated.

	6 months ended September 30,				
	2009	2008			
	\$	\$			
General and administrative expenses					
Professional fees	31,692	32,439			
Consulting fees	85,163	101,450			
Stock-based compensation	132,284	242,605			
Investor relations	6,000	-			
General and office	55,877	72,293			
Part XII.6 tax	-	134,721			
	311,017	583,508			
Mineral resource properties					
Property	March 31, 2009	Acquisition costs	Exploration	Writedown	September 30, 2009
	\$	\$	\$	\$	\$
<i>Ontario</i>					
Hurdman	2,446,355	-	11,373	-	2,457,728
Turnbull	56,975	-	(6,000)	-	50,975
Price Township	63,584	-	(6,000)	-	57,584
McArthur Lake	39,968	-	1,348	-	41,317
Agate/Gurney	326,043	-	-	(326,043)	-
Douglas	21,000	-	-	-	21,000
	2,953,926	-	722	(326,043)	2,628,604
<i>Quebec</i>					
James Bay	234,147	-	(18,144)	-	216,003
Horseshoe	152,295	-	2,908	-	155,203
Lemoyne North	580,111	-	(15,846)	-	564,265
Sakami	55,487	-	16,036	-	71,524
Amelie Lake	768,248	-	(48,045)	-	720,203
La Grande North	31,039	20,000	(65)	-	50,974
Summit-Gaber	202,879	-	69,398	-	272,277
Eastmain	882,154	-	(32,780)	-	849,374
Delta	2,201,273	-	(96,473)	-	2,104,800
Rupert	492,105	-	(18,489)	-	473,616
Otish	464,363	-	(11,820)	-	452,543
Simkar	-	110,000	30,727	-	140,726
	6,064,102	130,000	(122,593)	-	6,071,508
	9,018,028	130,000	(121,871)	(326,043)	8,700,112

Disclosure of Outstanding Share Data (as at November 27, 2009)

Shares

Authorized:

An unlimited number of common shares without par value.

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

Outstanding:

59,618,570 common shares

Warrants

Outstanding:

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	

Stock options

Authorized:

9,000,000 stock options.

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	300,000	300,000	October 10, 2012
\$0.35	450,000	337,500	June 12, 2013
\$0.37	1,600,000	1,200,000	June 24, 2013
	5,702,500	5,190,000	

Forward-Looking Statements

All statements made in this MD&A, other than statements of historical fact, are forward-looking statements. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “plan”, “will”, “would”, “should”, “guidance”, “potential”, “continue”, “project”, “forecast”, “confident”, “prospects”, and similar expressions typically are used to identify forward-looking statements. Forward-looking statements are based on the then-current expectations, beliefs, assumptions, estimates and forecasts about the Company’s business and the industry and markets in which it operates. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied by these forward-looking statements due to a number of factors, including but not limited to the Company’s access to additional capital to fund future activities, the loss of mineral properties or the inability to obtain mining licences, the inherently risky nature of the Company’s activities and its lack of experience in bringing an exploration property into production, foreign exchange fluctuations, the political stability and economic uncertainty of those areas in which the Company carries on operations and the lack of infrastructure in those areas, title risks, the risks and uncertainties associated with joint ventures and the Company’s reliance on third parties, statutory and regulatory compliance, the adequacy and availability of insurance coverage, the Company’s dependence upon employees and consultants and fluctuations in mineral prices. These risks, as well as others, could cause actual results and events to vary significantly. The Company expressly disclaims any intent or obligation to update these forward-looking statements, unless the Company specifically states otherwise.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.