Adex Mining Inc.
Consolidated Financial Statements
December 31, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by and are the responsibility of the management of Adex Mining Inc. (the "Company"). The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost effective basis, the reliability of the financial information.

The Board of Directors is responsible for ensuring that management fulfils its responsibility and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee. The consolidated financial statements have been audited by Sievert & Sawrantschuk LLP. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

(signed) "William C. Burton"
Chief Financial Officer
April 22, 2010

AUDITORS' REPORT

To the Shareholders of
Adex Mining Inc.

We have audited the consolidated balance sheets of Adex Mining Inc. (the "Company) as at December 31, 2009 and 2008 and the consolidated statements of loss, comprehensive loss and deficit and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 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.

Toronto, Ontario
April 22, 2010

(signed) "Sievert & Sawrantschuk LLP"
Chartered Accountants
Licensed Public Accountants

ADEX Mining Inc.

Consolidated Balance Sheets

As at December 31	**2009**	2008
	$	$
Assets		
Current		
Cash and cash equivalents	**1,758,924**	3,883,821
Committed cash (note 3)	**1,008,199**	-
Accounts receivable	**66,979**	128,460
Prepaid expenses	**54,329**	117,770
Interest receivable	**32,392**	34,754
	2,920,823	4,164,805
Mineral properties (note 5)	**6,521,680**	5,608,741
Reclamation bonds (note 4)	**780,103**	727,533
Equipment under capital lease (note 6)	**69,192**	-
Property, plant & equipment net of depreciation of $28,037 (2008 - $12,322)	**3,061**	9,100
	10,294,859	10,510,179
Liabilities		
Current		
Accounts payable & accruals	**295,880**	316,753
Current portion of capital lease	**22,970**	-
	318,850	316,753
Capital lease obligation (note 10)	**42,028**	-
	360,878	316,753
Commitments, contingencies and guarantees (note 10)		
Shareholders' equity (note 7)		
Share capital	**39,132,446**	38,859,324
Contributed surplus	**1,764,030**	1,424,707
Warrants	**272,731**	104,522
Compensation unit options	**67,375**	-
Deficit	**(31,302,601)**	(30,195,127)
	9,933,981	10,193,426
	10,294,859	10,510,179

The accompanying notes are an integral part of these financial statements

Approved on behalf of the board:

(signed) "Norman Betts"
Director

(signed) "Errol Farr"
Director

ADEX Mining Inc.

Consolidated Statements of Loss, Comprehensive Loss and Deficit

For the year ended December 31	**2009**	2008
	$	$
Expenses		
Administrative and general	**785,677**	942,696
Mineral property expenses	**381,249**	502,592
Stock based compensation (note 7)	**234,801**	532,152
Depreciation	**3,035**	1,176
Interest earned on funds on deposit	**(4,910)**	(128,097)
	1,399,852	1,850,519
Loss before recovery of income taxes	**(1,399,852)**	(1,850,519)
Income taxes - future (note 9)	**292,378**	-
Net loss and comprehensive loss	**(1,107,474)**	(1,850,519)
Deficit, beginning of the year	**(30,195,127)**	(28,344,608)
Deficit, end of the year	**(31,302,601)**	(30,195,127)
Weighted average number of shares outstanding	**88,117,361**	84,579,008
Basic and diluted loss per share	**(0.01)**	(0.02)

The accompanying notes are an integral part of these financial statements

ADEX Mining Inc.
Consolidated Statements of Cash Flows

For the year ended December 31	**2009**	2008
	$	$
Operating activities		
Net loss for the year	**(1,107,474)**	(1,850,519)
Items not affecting cash:		
Future income taxes	**(292,378)**	-
Stock based compensation	**234,801**	532,152
Depreciation of property, plant and equipment	**15,715**	9,215
Amortization of bond premium	**11,415**	135
	(1,137,921)	(1,309,017)
Change in non-cash working capital		
Prepaid expenses	**63,441**	51,566
Accounts receivable	**61,481**	(9,412)
Interest receivable	**2,362**	(7,364)
Accounts payable & accruals	**(20,873)**	61,217
	(1,031,510)	(1,213,010)
Investing activities		
Additions to property, plant & equipment	**(3,386)**	(1,154)
Additions to reclamation bonds	**(63,985)**	(40,000)
Additions to mineral properties	**(912,939)**	(4,793,190)
	(980,310)	(4,834,344)
Financing activities		
Issuance of units, net of issue costs (note 7)	**905,606**	-
Capital lease payments	**(10,484)**	-
Exercise of warrants	**-**	1,345,745
	895,122	1,345,745
Change in cash and cash equivalents	**(1,116,698)**	(4,701,609)
Cash and cash equivalents, beginning of the year	**3,883,821**	8,585,430
Cash and cash equivalents, end of the year	**2,767,123**	3,883,821
Cash and cash equivalents comprises:		
Cash	**73,926**	1,883,821
Guaranteed investment certificate	**1,684,998**	2,000,000
Committed cash	**1,008,199**	-

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Adex Mining Inc. (the "Company") holds 100% of the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area of New Brunswick, Canada (the "Property" or "Mount Pleasant"). Within the mineral rights area the Company owns approximately 405 hectares of land, plus the buildings, machinery and equipment on site which comprise the dormant Mount Pleasant mine.

The Company has interests in resource properties which it is in the process of exploring and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of expenditures on resource properties, including deferred exploration expenditures, is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of the resource properties, and upon future profitable production or proceeds from the disposition thereof.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company is a development stage enterprise that has yet to generate significant revenue from mining operations.

Principles of consolidation
The consolidated financial statements include the accounts of the Company's wholly owned subsidiary Adex Minerals Corp. ("AMC"). All inter-company accounts and transactions have been eliminated on consolidation.

Interest in mineral properties
Exploration and development expenditures related to mineral properties are deferred if it is determined that these costs will be recovered from future operations as a result of establishing proven and probable reserves, otherwise they are recorded as an expense in the period in which they are incurred. Determination as to reserve potential is based on the results of feasibility studies, which indicate whether production from a property is economically feasible. Significant acquisition costs for mineral properties are deferred until it is determined that these costs will not be recovered from future operations, at which point these costs are written down to fair value. Acquisition costs and deferred exploration and development expenditures will be depleted on a unit-of-production basis commencing at the onset of commercial production for the related property.

Property, plant & equipment
Property, plant & equipment is carried at cost, less accumulated amortization. Amortization of equipment is provided annually at rates of between 25% and 50%.

Revenue recognition
Cash inflows earned on a routine basis include interest revenue and rental income from the use of land and buildings. Interest and rental revenues are recognized on the accrual basis. As the Company is currently in the development stage, all revenues are recognized as a reduction of expenses. Interest earned on the reclamation bond is offset against mineral property expenses, whereas interest earned on corporate cash balances is offset against general expenses.

Stock based compensation
The Company uses the fair value method of accounting for stock based compensation to employees, directors and non-employees. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant using the Black-Scholes option pricing model and is amortized over the vesting period with an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital.

Flow through shares
The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the future income taxes related to the temporary difference arising at the later of renunciation and when the qualifying expenditures are incurred, are recorded at that time together with a corresponding reduction to the carrying value of the shares issued.

Income taxes
The Company follows the liability method of accounting for income taxes. Under the liability method future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period of the rate change. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Loss per share
Basic loss per share amounts are calculated using the weighted average number of common shares outstanding during the year. The treasury method is used to determine the dilutive effect of any instruments.

Cash and cash equivalents
Cash and cash equivalents represent cash and short-term deposits with original maturity dates of less than three months or which are readily convertible into known amounts of cash. Cash and cash equivalents at December 31, 2009 consists of bank deposits and a short term guaranteed investment certificate.

Use of estimates and assumptions
The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that may be undertaken in the future. Items requiring estimates include evaluation of impairment of long lived assets, amortization of property, plant and equipment, contingent liabilities, warrant valuation and common stock option valuation. Actual results could differ from these estimates.

Hedging
CICA Handbook Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company does not engage in hedging transactions and, therefore, does not have any financial instruments which are subject to hedge accounting.

Comprehensive income
Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income, and this standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize into net earnings. Comprehensive income, and its components, are required to be presented in a separate financial statement that is displayed with the same prominence as the other financial statements. The Company had no comprehensive income or loss transactions, other than its net loss which is presented in the Consolidated Statements of Loss, Comprehensive Loss and Deficit, and did not accumulate other comprehensive income during the periods that have been presented. Accordingly a statement of comprehensive income has not been presented.

2009 change in accounting policy – Goodwill and Other Intangible Assets and Financial Statement Concepts
In November 2007, the CICA issued amendments to Section 1000 "Financial Statement Concepts," and AcG 11 "Enterprises in the Development Stage," issued a new Handbook Section 3064 "Goodwill and Intangible Assets" ("Section 3064"), to replace Section 3062 "Goodwill and Other Intangible Assets", withdrew Section 3450 "Research and Development Costs" and amended EIC 27 "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments provide guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities,

ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The amendments are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and therefore the Company has implement them in the first quarter of 2009, retroactively with restatement of the comparative periods for the current and prior year. The adoption of the standard did not have a significant impact on the Company's consolidated financial statements.

2009 change in accounting policy - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee ("EIC") concluded that an entity's own credit risk and the credit risk of the counterparty should be accounted for in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable retrospectively without restatements of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for period ending on or after the date of the issue of the Abstract (January 20, 2009). Retrospective application with restatement of prior periods is permitted but not required. Early adoption is encouraged. The application of incorporating credit risk into the fair value should result in entities re-measuring the financial assets and financial liabilities as at the beginning of the period of adoption with any resulting difference recorded in retained earnings except when derivatives in a fair value hedging relationship accounted for by the short cut method (difference is adjusted to the hedged item) and for derivatives in cash flow hedging relationship (differences are recorded in accumulated other comprehensive income). The adoption of the standard did not have a significant impact on the Company's consolidated financial statements.

2009 change in accounting policy – Mining exploration costs

In March 2009, the CICA issued EIC-174, "Mining Exploration Costs." The EIC provides guidance on the accounting and the impairment review of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on the Company's consolidated financial statements.

2009 change in accounting policy – Financial Instruments Disclosures

The Company has adopted the amendments to CICA Handbook Section 3862, Financial Instruments - Disclosures. The amendments set out new standards for disclosures about the fair value measurements of financial instruments and the nature and extent of liquidity risk. The amendments require an entity to classify fair value measurements using a fair value hierarchy in levels ranging from 1 to 3 that reflect the significance of the inputs used in making these measurements. These amendments are consistent with recent amendments to financial instrument disclosure standards under International Financial Reporting Standards. Upon application by the Company, the fair value hierarchy level used in the determination of fair value of the Company's financial instruments has been disclosed in note 11.

2009 change in accounting policy - Financial Instruments – Recognition and Measurement

In 2009, the CICA made several amendments and clarifications to Section 3855 Financial Instruments – Recognition and Measurement. The changes were as follows:

- Clarified the effective interest method which is a method of calculating the amortized cost of financial assets and financial liabilities and of allocating the interest income or interest expense over the relevant period
- Clarified the requirements regarding reclassification of held-for-trading financial instruments containing embedded derivatives
- Eliminated the distinction between debt securities and other debt instruments and changed the categories to which debt instruments are required or are permitted to be classified.

The adoption of these amendments did not have a material impact on the financial position, cash flow or earnings of the Company.

Future changes in accounting policy – Business Combinations

In January 2009, the CICA issued Section 1582, Business Combinations, replacing Section 1581 of the same name. The new section will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Section 1582, which provides the Canadian equivalent to International Financial Reporting Standard 3, Business Combinations (January 2008), establishes standards for the accounting for a business combination. Section 1582 requires business acquisitions (including noncontrolling interests and contingent consideration) to be measured at fair value on the acquisition date, generally requires acquisition-related costs to be expensed, requires gains from bargain purchases to be recorded in net earnings, and expands the definition of a business. As Section 1582 will apply only to future business combinations, it will not have a significant effect on the Company's consolidated financial statements prior to such acquisitions.

Future changes in accounting policy – Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which together replace the existing Section 1600, Consolidated Financial Statements, and provide the Canadian equivalent to International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). The new sections will be applicable to the Company on January 1, 2011. 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 is assessing the impact, if any, of the adoption of these new sections on its consolidated financial statements.

Future changes in accounting policy – International Financial Reporting Standards ("IFRS")

The Accounting Standards Board (AcSB) has announced that Canadian publicly accountable enterprises will be required to adopt IFRS effective January 1, 2011. Although IFRS employs a conceptual framework that is similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosure. Adex Mining Inc. has undertaken a project to assess the potential impacts of the transition to IFRS and has developed a detailed project plan to ensure compliance with the new standards. The Company has completed the initial phase of the implementation project including the detailed diagnostic analysis which included a high-level impact assessment to identify key areas that may be impacted by the adoption of IFRS. This analysis resulted in the prioritization of areas to be evaluated in the next phase of the project plan, component evaluation. This phase, which is currently in progress, includes the analysis of accounting policy alternatives available under IFRS as well as the determination of changes required to existing information systems and business processes. The Company is currently assessing the impact of the adoption of IFRS on our results of operations, financial position and financial statement disclosures.

3. COMMITTED CASH

On December 30, 2009, the Company completed a private placement of 8,408,665 flow-through units at a price of $0.12 per unit for gross proceeds of $1,009,040. The financing resulted in the issuance of 8,408,665 flow-through common shares and 4,204,332 non flow-through warrants. The proceeds of the common shares were renounced as flow-through eligible Canadian Exploration Expenses ("CEE") valued at $1,008,199 These funds were committed to be expended on CEE and, as such, were not available for general working capital purposes. As at December 31, 2009, the Company had not expended any of these committed funds.

4. RECLAMATION BONDS AND ASSET RETIREMENT OBLIGATIONS

The land on which the Mount Pleasant property is located includes a dormant mine. The Company is obliged to comply with an environmental reclamation plan which is in effect for the property. This obligation is secured by a collateral mortgage to the Province of New Brunswick for $2 million on 22 hectares of land on which the mine site and primary buildings are located.

Reclamation bonds consist of Province of New Brunswick, 8.5% bonds maturing June 28, 2013. The bonds are pledged as security under environmental regulations with the Province of New Brunswick to ensure adequate funding is available for perpetuity to treat the acid water run-off from the abandoned Mount Pleasant mine shafts. The bonds are held for the benefit of the Company, and interest is paid bi-annually, as long as the Company continues to treat the acid water run-off appropriately. Interest is held on deposit by, and is disbursed at the discretion of, the Ministry of Finance of the Province of New Brunswick.

The Company's Mount Pleasant property is governed by an Approval to Operate, which was granted by the New Brunswick Ministry of Environment in November 2007. Under the terms of the Approval to Operate, the Company has been granted permission by the Ministry of Environment to operate the Property, Tailings Impoundment Facility and Mine Water Treatment Plant on a "Care and Maintenance" basis. However, the Company is required to monitor the water quality at its Tailings Impoundment Facility on a monthly basis, and the Company provides the Ministry of Environment with monthly water quality monitoring reports and the results of its monthly water sampling and testing.

Under the Approval to Operate, the Company is permitted to carry out exploration activities and metallurgical test work on its Mount Pleasant property. Consequently, the current security posted with the Province of New Brunswick is sufficient for the Company to continue exploration activities and metallurgical test work at the Property. However, the Company may face a review of its posted security by the Ministry of Environment when the Company advances to feasibility studies on its mineral deposits or commences the dewatering of its past-producing underground tungsten mine located on the Mount Pleasant property. Dewatering activities may also trigger a provincial Environmental Impact Assessment ("EIA") and may require the Company to upgrade its current Mine Water Treatment Plant. The Company will, therefore, enter into direct consultations with the provincial Ministry of Environment prior to initiating feasibility or dewatering activities, in order to ascertain any changes that may be required with respect to the existing security, or any obligations that may arise under a EIA.

5. MINERAL PROPERTIES

Mount Pleasant Property, New Brunswick	Exploration & development $	Tailings Impoundment Facility upgrade $	Total $
Balance, December 31, 2007	855,851	-	855,851
Additions	4,167,273	625,917	4,793,190
Balance, December 31, 2008	4,982,824	625,917	5,608,741
Additions	909,078	3,860	912,939
Balance, December 31, 2009	5,891,902	629,777	6,521,680

The Company holds a 100% interest in the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area. Within the mineral rights area, the Company owns approximately 405 hectares of land. Expenditures to December 31, 2009 relate to the consulting and other activities associated with the preparation of a new National Instrument ("NI 43-101") technical report, as well as expenses related to the current mine development program. Tailings Impoundment Facility expenditures relate to the repair and rehabilitation of the Mount Pleasant Tailings Impoundment Facilitiy in order to comply with government regulations, and in anticipation of future production requirements.

6. EQUIPMENT UNDER CAPITAL LEASE

The following is an analysis of equipment under capital lease:

December 31	**2009** **$**	2008 $
Equipment (cost)	**75,482**	-
Accumulated amortization	**(6,290)**	-
	$69,192	-

The equipment under the capital lease is amortized on a straight-line basis over its economic life of 3 years.

The amount of amortization charged to expense - 2009 - $6,290 and 2008 - $0.

7. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. As at December 31, 2009, the Company had 96,526,026 common shares issued and outstanding.

On December 30, 2009, the Company completed a private placement of 8,408,665 flow-through units at a price of $0.12 per unit for gross proceeds of $1,009,040. The financing resulted in the issuance of 8,408,665 flow-through common shares and 4,204,332 non flow-through warrants, as well as a finders fee of 554,166 compensation unit options.

	Number of shares	Amount $
Balance, December 31, 2007	74,659,015	37,070,091
Warrants exercised	13,458,346	1,789,233
Balance, December 31, 2008	88,117,361	38,859,324
Issuance of common shares	8,408,665	736,309
Share issue expense	-	(170,809)
Tax benefits renounced on flow through shares	-	(292,378)
Balance, December 31, 2009	96,526,026	39,132,446

Contributed Surplus

On March 13, 2009, 350,000 common share purchase broker warrants, exercisable at $0.60, expired unexercised.

On June 30, 2009, 250,000 common share purchase warrants, exercisable at $0.30, expired unexercised.

	Amount $
Balance, December 31, 2007	678,355
Common share options expense	532,152
Warrants expired unexercised	214,200
Balance, December 31, 2008	1,424,707
Common share options expense	234,801
Warrants expired unexercised	104,522
Balance, September 30, 2009	1,764,030

Stock options

On January 31, 2009, 240,000 common share stock purchase options with an exercise price of $0.30 were forfeited.

On April 24, 2009, the Company granted an aggregate of 1,450,000 common share options with an exercise price of $0.12 per common share to directors, officers and certain employees and consultants of the Company. The options vest quarterly in equal amounts over a twelve month period from the date of the grant and expire on April 24, 2014.

The following summary sets out the activity in outstanding common share stock options for the year ended December 31, 2009:

	Options #	Weighted-average exercise price $
Outstanding, December 31, 2007	4,240,000	0.31
Granted January 30, 2008	50,000	0.33
Granted June 11, 2008	1,600,000	0.30
Cancelled August 8, 2008	(190,000)	0.34
Outstanding, December 31, 2008	5,700,000	0.31
Forfeited January 31, 2009	(240,000)	0.30
Issued April 24, 2009	1,450,000	0.12
Outstanding, December 31, 2009	6,910,000	0.27
Options exercisable at December 31, 2009	6,185,000	0.29

The details of stock options outstanding at December 31, 2009 are as follows:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
2,050,000	2,050,000	2.50 years	$0.30	June 29, 2012
1,370,000	1,370,000	2.50 years	$0.30	June 29, 2012
250,000	250,000	2.60 years	$0.40	August 2, 2012
140,000	140,000	2.65 years	$0.35	August 20, 2012
150,000	150,000	2.92 years	$0.45	November 28, 2012
50,000	50,000	3.09 years	$0.33	January 30, 2013
1,450,000	1,450,000	3.46 years	$0.30	June 11, 2013
1,450,000	725,000	4.32 years	$0.12	April 24, 2014

The weighted average fair value of the options granted is $0.27 per option, each contract fair value having been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate ranging from 2.01% to 4.70%, expected dividend yield of nil, average expected volatility ranging from 91.8% to 115% and expected life term of five years. Under this method of calculation, the Company has recorded $234,801 as stock based compensation, being the fair value of the options vested during the year ended December 31, 2009 ($532,152 for the year ended December 31, 2008). Options that have been issued and remain outstanding vest in one of three ways: (1) immediately on date of grant; (2) over one year from the date of grant, in equal quarterly installments commencing three months following the date of grant; or (3) over a period of eighteen months in quarterly installments commencing three months following the date of grant of 12.5%, 12.5%, 25%, 25%, 12.5% and 12.5%.

Warrants

On December 30, 2009, the Company completed a private placement of 8,408,665 flow-through units resulting in the issuance of 8,408,665 flow-through common shares and 4,204,332 non flow-through warrants. Each warrant (“warrant”) entitles the holder to acquire one common share of the Company at an exercise price of $0.175 per common share until December 30, 2010 and $0.20 per common share until December 31, 2011.

The following summary sets out the activity in the Company’s outstanding common share purchase warrants for the year ended December 31, 2009:

	Warrants	Exercise Price Range
Outstanding, December 31, 2007	15,858,350	$0.10 to $0.60
Exercised	(13,458,350)	$0.10
Expired	(1,800,000)	$0.30
Outstanding, December 31, 2008	600,000	$0.20 to $0.60
Expired	(350,000)	$0.60
Expired	(250,000)	$0.30
Issued	4,204,332	$0.175 to $0.20
Outstanding, December 31, 2009	4,204,332	$0.175 to $.20

The details of the Company’s outstanding common share purchase warrants at December 31, 2009 are as follows:

Number of warrants	Remaining contractual life	Exercise price per share	Expiry date
4,204,332	2.00 years	$0.175 to $0.20	December 31, 2011

Compensation unit options

On December 30, 2009, the Company completed a private placement resulting in the issuance of a finders fee of 816,665 compensation unit options. Each finder's fee compensation unit option is exercisable until December 30, 2011 into one common share at a price of $0.12 per share, and one-half of one Warrant to purchase a common share at the same terms as warrants above.

8. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2009, the Company incurred related party expenses of $259,500 ($312,000 for the year ended December 31, 2008) These expenses related to the payment of management fees to the Company's senior officers, Errol Farr, President and Chief Executive Officer and formerly Chief Financial Officer, William C. Burton, Chief Financial Officer and formerly Corporate Controller and, to April 21, 2009, Kabir Ahmed, former President and Chief Executive Officer. These amounts were expensed in the period incurred as administrative and general expenses.

The full year expenses include a onetime retirement payment to Mr. Ahmed of $75,000 (nil for the year ended December 31, 2008).

There are no amounts payable to these related parties at December 31, 2009. The amounts paid and owing are measured at the exchange amount, are non-interest bearing and due on demand.

9. INCOME TAXES

Future income tax recoveries arising from the issuance of flow through shares and renouncing of future Canadian eligible exploration costs result in recovery of $292,378 for the year ended December 31, 2009 (2008 - nil).

The following is a reconciliation from the Canadian statutory rates to taxes as recorded in the financial statements:

	2009 **$**	2008 $
Statutory rates	**29.0%**	33.5%
Loss before income taxes	**1,399,852**	1,850,519
Expected income tax benefit based on statutory rate	**406,000**	620,000
Adjustment to benefit resulting from:		
Share issue expenses deductible	**69,000**	68,000
Stock based compensation	**(68,000)**	(178,000)
Other non-deductible expenses	**(5,000)**	(4,000)
Capital gains realized on expiry of warrants	**(15,000)**	(36,000)
Tax rate adjustments	**(347,000)**	(377,000)
Increase in valuation allowance	**(40,000)**	(93,000)
Provision for income taxes - current	**-**	-

As at December 31, 2009, the Company has remaining losses available for carry forward of approximately $5,455,000 which expire as follows:

	$
2010	107,000
2014	116,000
2015	160,000
2026	545,000
2027	1,793,000
2028	1,402,000
2029	1,332,000
	5,455,000

As a result of a flow through share financing, the Company renounced $1,008,199 of Canadian Exploration Expenses (“CEE”) at December 31, 2009 and has no CEE tax pool amounts.

The Company has the following future income tax assets:

	2009	2008
	$	$
Non-capital losses carried forward	**1,364,000**	1,204,000
Resource related deductions	**512,000**	594,000
Share issuance costs	**120,000**	158,000
Future income tax asset	**1,996,000**	1,956,000
Valuation allowance	**(1,996,000)**	(1,956,000)
Net future income tax asset	**-**	-

The possible tax benefits, if any, of these losses carried forward have not been recognized in the financial statements except to the extent they offset tax liabilities.

10. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company has a contractual lease obligation related to its corporate premises that requires a minimum total lease payments of $149,586 until September 2012. The following table demonstrates the full year commitments.

	$
2010	54,395
2011	54,395
2012	40,796
	149,586

The following is a schedule of future minimum lease payments under the capital lease expiring August 31, 2012 together with the balance of the obligation under capital lease.

	$
2010	**26,789**
2011	**26,789**
2012	**17,859**
Total minimum lease payments	**71,437**
Amount representing interest at 7%	**(6,439)**
Balance of the obligation	**$64,998**

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets and liabilities

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following five categories: held-for-trading, held to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company’s financial instruments, including those held for sale on the consolidated balance sheet are classified into the following categories:

	December 31, 2009		December 31, 2008	
	Carrying value	**Fair Value**	Carrying value	Fair Value
	$	**$**	$	$
Held for trading (1)	**2,767,123**	**2,767,123**	3,883,821	3,883,821
Loans and receivables (2)	**99,371**	**99,371**	163,214	163,214
Held to maturity (3)	**780,103**	**780,103**	727,533	727,533
Other financial liabilities (4)	**360,878**	**360,878**	316,753	316,753

(1) Includes cash and cash equivalents.
(2) Includes accounts receivable and interest receivable.
(3) Reclamation bond
(4) Includes accounts payable and accruals.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying value. All of the Company's instruments are classified as (1) in the fair value measurements hierarchy due to their short-term nature.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

(a) Market risk

(i) Price risk

Commodity price risk
Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from revenue derived from forecast future sales of the metals it is exploring for. The Company does not manage commodity price risk through the use of derivative instruments.

Sensitivity
At September 30, 2009, a change in the value of tungsten, molybdenum, tin or indium would not change the recognized value of any of the Company's financial instruments.

(ii) Interest rate risk

The Company does not have interest-bearing borrowings for which general rate fluctuations apply. The Company is exposed to interest rate risk to the extent of the balance of its bank accounts.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to outstanding receivables.

The Company has no concentration of credit risk. The carrying amounts of financial assets recorded in the financial statements are adjusted for any impairment and represent the Company's maximum exposure to credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the closing price.

12. SUBSEQUENT EVENTS

On February 3, 2010, the Company granted an aggregate of 1,750,000 common share options with an exercise price of $0.15 per common share to directors, officers and certain employees and consultants of the Company. The options vest quarterly in equal amounts over a twelve month period from the date of the grant and expire on February 3, 2015.