COMMERCE RESOURCES CORP.

REPORT AND FINANCIAL STATEMENTS

January 31, 2009 and October 31, 2008

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March 16, 2009

THESE FINANCIAL STATEMENTS FOR THE PERIODS ENDED JANUARY 31, 2009 AND 2008 HAVE NOT BEEN REVIEWED OR AUDITED BY THE COMPANY'S AUDITORS.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these financials statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

COMMERCE RESOURCES CORP.
BALANCE SHEETS

ASSETS	January 31, 2009 *(Unaudited)*	October 31, 2008 *(Audited)*
Current		
Cash and cash equivalents	$ 13,515,188	$ 16,001,022
Marketable securities – Note 3	10,700	10,700
Amounts receivable	1,500	66,904
Goods and services tax receivable	96,620	387,282
Prepaid expenses	115,399	116,125
	13,739,407	16,582,033
Investments in asset-backed commercial paper – Note 4	3,593,698	3,593,698
Reclamation bonds	57,000	57,000
Equipment – Note 5	121,082	96,239
Resource properties – Notes 6, 7 and Schedule I	22,002,851	20,880,416
	$ 39,514,038	$ 41,209,386
LIABILITIES		
Current		
Accounts payable and accrued liabilities – Note 8	$ 573,105	$ 2,193,738
SHAREHOLDERS' EQUITY		
Share capital – Note 7	49,595,611	49,595,611
Contributed surplus – Note 7	3,729,480	3,729,480
Accumulated other comprehensive loss	(62,765)	(62,765)
Deficit	(14,321,393)	(14,246,678)
	38,940,933	39,015,648
	$ 39,514,038	$ 41,209,386

Commitments – Notes 6 and 7
Subsequent Events – Notes 4 and 11

APPROVED BY THE DIRECTORS:

"Shaun Ledding" Director — Shaun Ledding

"David Hodge" Director — David Hodge

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
For the three months ended January 31, 2009 and 2008
(Unaudited)

	2009	2008
Administrative costs		
Administration fees and rent – Note 8	$ 270,000	$ 225,000
Advertising and website	18,376	78,583
Bank charges and interest	357	402
Consulting fees – Note 8	35,531	31,381
Filing and transfer agent fees	1,150	3,960
Investor relations	9,318	100,191
Office, telephone and miscellaneous	(688)	10,015
Professional fees	-	28,100
Travel and promotion	61,215	78,567
Wages and benefits	-	195
Loss before other items and income taxes	395,259	556,394
Other items:		
Interest income	(320,544)	(294,318)
Loss before income taxes	74,715	262,076
Recovery of future income taxes – Note 9	-	-
Net loss for the period	74,715	262,076
Other comprehensive loss		
Unrealized loss on marketable securities – Note 3	-	1,335
	-	1,335
Comprehensive loss for the period	$ 74,715	$ 263,411
Basic and diluted loss per share	$ 0.001	$ 0.003
Weighted average number of shares outstanding	111,534,015	90,698,193

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF SHAREHOLDERS' EQUITY
For the three months ended January 31, 2009
(Unaudited)

	Share Capital Number	Share Capital Amounts	Share Subscriptions Receivable	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, October 31, 2007	111,438,265	$ 49,555,396	$ (112,500)	$ 3,729,480	$ (1,668,651)	$ (7,945,137)	$ 43,558,588
Issuance of share capital	-	-	112,500	-	-	-	112,500
Exercise of warrants	95,750	40,215	-	-	-	-	40,215
Net loss	-	-	-	-	-	(6,301,541)	(6,301,541)
Reclassification of unrealized losses on investments.	-	-	-	-	1,639,911	-	1,639,911
Unrealized losses on available-for-sale financial assets	-	-	-	-	(34,025)	-	(34,025)
Balance, October 31, 2008	111,534,015	$ 49,595,611	$ -	$ 3,729,480	$ (62,765)	$ (14,246,678)	$ 39,015,648
Net loss	-	-	-	-	-	(74,715)	(74,715)
Balance, January 31, 2009	111,534,015	$ 49,595,611	$ -	$ 3,729,480	$ (62,765)	$ (14,321,393)	$ 38,940,933

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF CASH FLOWS
For the three months ended January 31, 2009 and 2008
(Unaudited)

		2009		2008
Operating Activities				
Net loss for the period	$	(74,715)	$	(262,076)
Add (deduct) items not affecting cash:				
		-		-
Changes in non-cash working capital items related to operations:				
Amounts receivable		65,404		(51,631)
Goods and services tax receivable		290,661		-
Prepaid expenses		727		(53,697)
Accounts payable and accrued liabilities		24,014		(120,342)
Cash used in operating activities		306,091		(487,746)
Financing Activities				
Issue of share capital for cash, net		-		40,215
Share subscriptions receivable		-		52,800
Cash provided by financing activities		-		93,015
Investing Activities				
Acquisition of resource properties		-		(102,276)
Acquisition of equipment		(37,661)		-
Deferred exploration and development costs, net of mining credits		(2,754,264)		(606,033)
Cash used in investing activities		(2,791,925)		(708,309)
Increase (decrease) in cash and cash equivalents during the period		(2,485,834)		(1,103,040)
Cash and cash equivalents, beginning of period		16,001,022		29,189,043
Cash and cash equivalents, end of period	$	13,515,188	$	28,086,003
Cash paid during the period for:				
Interest expense	$	Nil	$	Nil
Income taxes	$	Nil	$	Nil

Non-cash Transactions – Note 10

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP. Schedule I

SCHEDULE OF RESOURCE PROPERTIES

For the three months ended January 31, 2009

	Blue River Claims	Eldor Property	Other Claims	Totals
Acquisition costs				
Balance, beginning of the year	$ 201,365	$ 1,208,547	$ 28,927	$ 1,438,839
Staking	-	112	-	112
Balance, end of the period	201,365	1,208,659	28,927	1,438,951
Deferred exploration and development costs				
Balance, beginning of the year	14,140,053	5,191,401	110,123	19,441,577
Drilling	417,640	2,730	-	420,370
Drafting and engineering – Note 8	295,133	11,643	-	306,776
Environmental consulting fees	122,998	-	-	122,998
Geological consulting fees – Note 8	78,403	743	-	79,146
Lab analysis	326,273	5,398	-	331,671
Overhead – Note 8	1,137	-	-	1,137
Supplies – Note 8	35,976	11,913	-	47,889
Travel – Note 8	64,587	11,824	-	76,411
	1,342,147	44,251	-	1,386,398
Less: Mining tax credits	-	(264,075)	-	(264,075)
Balance, end of the period	15,482,200	4,971,577	110,123	20,563,900
Balance, January 31, 2009	$ 15,683,565	$ 6,180,236	$ 139,050	$ 22,002,851

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Schedule I
Continued

COMMERCE RESOURCES CORP.
SCHEDULE OF RESOURCE PROPERTIES
For the year ended October 31, 2008

	Blue River Claims	Eldor Property	Other Claims	Totals
Acquisition costs				
Balance, beginning of the year	$ 114,411	$ 1,190,901	$ 28,927	$ 1,334,239
Staking	86,954	17,646	-	104,600
Balance, end of the year	201,365	1,208,547	28,927	1,438,839
Deferred exploration and development costs				
Balance, beginning of the year	5,653,480	681,485	109,897	6,444,862
Drilling	4,535,650	940,879	-	5,476,529
Drafting and engineering – Note 8	1,682,685	892,683	-	2,575,368
Environmental consulting fees	931,603	-	-	931,603
Geological consulting fees – Note 8	15,560	81,668	226	97,454
Lab analysis	647,349	216,767	-	864,116
Overhead – Note 8	3,534	92,973	-	96,507
Supplies – Note 8	473,929	952,251	-	1,426,180
Travel – Note 8	391,769	1,332,695	-	1,724,464
	8,682,079	4,509,916	226	13,192,221
Less: Mining tax credits	(195,506)	-	-	(195,506)
Balance, end of the year	14,140,053	5,191,401	110,123	19,441,577
Balance, October 31, 2008	$ 14,341,418	$ 6,399,948	$ 139,050	$ 20,880,416

SEE ACCOMPANYING NOTES

Note 1 Nature of Operations

Commerce Resources Corp. (the "Company") is a public company listed on the TSX Venture Exchange in Canada and on the Frankfurt Stock Exchange in Germany. The Company was incorporated on May 19, 1999, under the Company Act of British Columbia and is in the business of acquiring, exploring, developing and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company is in the exploration stage and has interests in properties located in British Columbia ("B.C.") and Quebec, Canada.

The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results could vary from these estimates.

The financial statements have in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and Equivalents

Cash and cash equivalents consist of all highly liquid investments that are readily convertible to cash within 90 days when purchased.

b) Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

Note 2 Summary of Significant Accounting Policies – (cont'd)

b) Resource Properties – (cont'd)

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

c) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated over the estimated useful lives using the declining balance method at the following rates:

Furniture and equipment	20%
Computer equipment	30%
Field equipment	3 year straight-line

Additions during the year other than field equipment are amortized at one-half the annual rates.

d) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities are exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Fully dilutive amounts are not presented when the effect of the computations is anti-dilutive due to the losses incurred. Common equivalent shares, consisting of shares issuable on exercise of stock options and warrants, totalling 35,398,918 (2008: 36,742,543) were not included in the computation of diluted loss per share because the effect would have been anti-dilutive.

Note 2 Summary of Significant Accounting Policies – (cont'd)

e) Financial Instruments

The Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives, and describe when and how hedge accounting may be applied. Section 1530 provides standards for the reporting and presentation of comprehensive income, which is defined as the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. A statement of comprehensive income has not been presented as no components of comprehensive income have been identified and therefore have not affected the current or comparative period balances on the financial statements.

Under these standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately.

The Company has classified its financial instruments as follows:

- Cash and cash equivalents are classified as held-for-trading and is measured at fair value.

- Marketable securities and asset-backed commercial paper ("ABCP") are classified as available for sale. They are recorded at fair value at initial recognition. Subsequent revaluation resulting in gains or losses is recorded in the statements of comprehensive income (loss).

Note 2 Summary of Significant Accounting Policies – (cont'd)

e) Financial Instruments – (cont'd)

- Amounts receivable is classified as loans and receivables. They are recorded at cost, which on initial recognition represents their fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

- Accounts payable and accrued liabilities are classified as other liabilities. They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

f) Income Taxes

Income taxes are calculated using the asset and liability method of accounting. Future income tax assets and liabilities relate to the expected future tax consequences of temporary differences between the carrying value of balance sheet items and their corresponding tax values. Future income tax assets and liabilities are calculated using tax rates anticipated to apply in periods that the temporary differences are expected to reverse and are adjusted for the effects of changes in tax law and rates on the date of enactment or substantive enactment. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the net future income tax assets will be realized.

g) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and amortization of the related asset. The Company has estimated the fair value of the resource properties' site restoration costs, if any, are insignificant.

h) Mining Tax Credits

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

Note 2 Summary of Significant Accounting Policies – (cont'd)

i) Stock-based Compensation

The Company uses Black-Scholes option valuation model to estimate the fair value of share purchase options at the date of grant. The fair value of stock options granted to non-employees is re-measured on each balance sheet date. Compensation expense for employees is generally amortized using the straight line method over the period from the grant date to the date the options vest. Compensation expense for non-employees is recognized immediately for past services and pro-rata for future services over the service provision period.

j) Flow-through Shares

Effective March 19, 2004, CICA issued additional guidance on the accounting treatment of Canadian flow-through shares through its Emerging Issues Committee Abstract ("EIC") No. 146. All flow-through shares issued by the Company on or after March 19, 2004 are accounted for in accordance with this Abstract. The Abstract recommends that upon renunciation to the shareholders, the Company will reduce share capital and recognize a temporary future income tax liability for the amount of tax reduction renounced to the shareholders. In instances where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available to offset the renounced tax deduction is more likely-than-not able to utilize these tax losses before expiring, the realization of the deductible temporary differences will be credited to income in the period of renunciation.

k) Adoption of New Accounting Standards

Effective November 1, 2007, the Company adopted the new CICA accounting standards: (a) Handbook Section 1535, *Capital Disclosures*; (b) handbook Section 3862, *Financial Instruments – Disclosures*; (c) Handbook Section 3863, *Financial Instruments – Presentation*; and (d) Handbook Section 1506, *Accounting Changes*. The main requirements of these new standards and the resulting financial statement impact are described below.

Consistent with the requirements of the new accounting standards, the Company has not restated any prior period amounts as a result of adopting the accounting changes. The effect of the adoption of these standards is summarized below:

i) Capital Disclosure, Section 1535

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the exploration of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure which is comprised of working capital and shareholders' equity.

Note 2 Summary of Significant Accounting Policies – (cont'd)

k) Adoption of New Accounting Standards – (cont'd)

i) Capital Disclosure, Section 1535 – (cont'd)

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

The Company's investment policy is to hold excess cash in interest bearing bank accounts.

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the period ended January 31, 2009.

ii) Financial Instruments – Disclosure and Presentation, Section 3862 and 3863

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents and investments in asset-backed commercial papers are subject to credit risk. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

Note 2 Summary of Significant Accounting Policies – (cont'd)

k) Adoption of New Accounting Standards – (cont'd)

ii) Financial Instruments – Disclosure and Presentation, Section 3862 and 3863 – (cont'd)

a) Credit Risk – (cont'd)

At January 31, 2009, cash and cash Equivalents of $14 million (2008 - $16 million) consisted of cash balances of $1 million (2008 - $5 million) on deposit with Canadian chartered banks and $13 million (2008 - $11 million) in short-term bonds issued by Canadian chartered banks. The maximum exposure to credit risk on these financial instruments is their carrying value.

Investments in asset-backed commercial papers of $3.6 million net (2008 - $3.6 million) of impairment charges represents the maximum exposure to credit risk at January 31, 2009 (Note 4).

The Company mitigates credit risk on these financial instruments by adhering to its Investment Policy that outlines credit risk parameters and concentration limits.

b) Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company anticipates it will have adequate liquidity to fund its financial liabilities through its future equity placements.

As at January 31 2009, the Company's financial liabilities were comprised of accounts payable and accrued liabilities.

c) Market Risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Note 2 Summary of Significant Accounting Policies – (cont'd)

k) Adoption of New Accounting Standards – (cont'd)

ii) Financial Instruments – Disclosure and Presentation, Section 3862 and 3863 – (cont'd)

c) Market Risk – (cont'd)

i) Currency Risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is considered to be in the development stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. As all of the Company's transactions are denominated in Canadian dollars, the Company is not significantly exposed to foreign currency exchange risk at this time.

ii) Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents and investments in asset-backed commercial paper. The sensitivity analysis on ABCP providing the effect on net income if interest rates were to increase by 100 basis point for the period ended January 31, 2009 is included in Note 4.

Note 2 Summary of Significant Accounting Policies – (cont'd)

k) Adoption of New Accounting Standards – (cont'd)

iii) Accounting Changes, Section 1506:

Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively (unless doing so is impracticable or is specified otherwise by a new accounting standard), changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this new standard cannot be determined until such time as the Company makes a change in accounting policy, other than the changes resulting from the implementation of the new CICA Handbook standards discussed in this note.

iv) Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued abstract No. 166, Accounting Policy Choice for Transaction Costs ("EIC-166"). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial liabilities that are classified as other than held-for-trading to its initial carrying cost measured upon the adoption of CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement ("Section 3855"). Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective for the year ended October 31, 2008. The Company has chosen to recognize all transaction costs in operations on all financial instruments that have been designated as other than held-for-trading. The adoption of this policy had no material effect on the Company's financial statements.

v) Cash Distributions

CICA Handbook Section 1540, Cash Flow Statements, has been amended to require additional disclosures where cash distributions are made in accordance with a contractual obligation for cash distributions. The adoption of this section has not resulted in any changes on the disclosure within the financial statements.

Note 2 Summary of Significant Accounting Policies – (cont'd)

l) Recent Released Canadian Accounting Standards

Assessing Going Concern

The Accounting Standards Board ("AcSB") AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this Section is not expected to result in any changes on the disclosure within the financial statements.

Goodwill and Intangible Assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning November 1, 2008. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new section on its financial statements.

International financial reporting standards ("IFRS")

In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing GAAP in Canada. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2012. While the Company has begun assessing the adoption of IFRS for 2012, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Note 3 Marketable Securities

	Cost	Unrealized Loss	Fair Value January 31, 2009	Fair Value October 31, 2008
Available-for-sale	$ 73,465	$ 62,765	$ 10,700	$ 10,700

Note 4 Investments in Asset-Backed Commercial Paper

As at January 31, 2009, the Company held ABCP issued by a number of trusts with an original cost of $8,135,655 (2007: $8,135,655). At the dates the Company acquired these investments they were rated R1 (High) by Dominion Bond Rating Servics ("DBRS"). These investments matured during the year ended October 31, 2007 but, as a result of liquidity issues in the ABCP market, did not settle on maturity. As a result, the Company has classified its ABCP as long-term investments.

On March 17, 2008, the Pan-Canadian Investors Committee (the "Committee") for ABCP filed proceedings for a plan of compromise and arrangement (the "Plan") under the Companies' Creditors Arrangement Act (Canada) ("CCAA") with the Ontario Superior Court (the "Court"). At the meeting of ABCP noteholders on April 25, 2008, noteholders approved the Plan by the required majorities. On June 5, 2008, the Court issued a sanction order and reasons for the decision approving the Plan as amended. On August 18, 2008, that decision was upheld by the Ontario Court of Appeal and, on September 19, 2008, the Supreme Court of Canada denied leave to appeal. On December 24, 2008, the Committee announced that an agreement had been reached with all key stakeholders, including the governments of Canada, Quebec, Ontario and Alberta, to provide additional margin facilities to support the Plan and finalized certain enhancements to the Plan.

On January 12, 2009, the Ontario Superior Court issued the final implementation order in the ABCP restructuring process. The restructuring closed on January 21, 2009. The exchange of restructured ABCP notes was completed on January 21, 2009. A first installment of interest (to August 31, 2008) was also paid on the same day. The balance of the interest is to be paid in subsequent installments, and the amounts and timing are still to be determined. Restructuring fees already incurred and a reserve for additional restructuring fees were deducted from this first interest payment.

Upon completion in January 2009, the Company received the following:

Note 4 Investments in Asset-Backed Commercial Paper – (cont'd)

- ? $7.35 million of senior Master Asset Vehicle MAV II Class A-1 and A-2 Notes and subordinated Class B and Class C Notes
  - o $4.83 million of Class A-1 Notes
  - o $1.95 million of Class A-2 Notes
  - o $0.35 million of Class B Notes
  - o $0.22 million of Class C Notes

  Class A-1, Class A-2 and Class B Notes will bear interest at the Bankers' Acceptance ("BA") rate less 0.50% and Class C Notes will bear interest at the BA rate plus 20%. These notes have legal maturity dates in 2056 but the expected repayment date of the Class A-1 and A-2 notes is January 22, 2017. The senior notes (Class A-1 and Class A-2) have been rated "A" by DBRS while the subordinated notes (Class B and C) are unrated.

- ? $0.78 million of MAV II Ineligible Asset ("IA") Notes
  The IA Tracking Notes will bear interest at a rate based on the net rate of return generated by the underlying tracking assets. The maturities of the notes are based on the maturities of the underlying assets. These notes will not be rated.

The valuation technique used by the Company to estimate the fair value of its investment in ABCP at October 31, 2008, incorporates probability weighted discounted cash flows considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments. The assumptions used in determining the estimated fair value reflect the details included in the Information Statement issued by the pan-Canadian restructuring committee and the risks associated with the long-term floating rate notes. The interest rates and maturities of the various long-term floating rate notes, discount rates and credit losses modeled are:

Probability weighted average interest	10.81%
Weighted average discount rate	11.46%
Maturity of long-term floating rate notes	8 years to 30 years
Credit losses	Rated notes: Nil to 30%
	Unrated notes: 20% to 100%

If these assumptions were to change, the fair value of ABCP could change significantly. The Company recorded a fair value adjustment of $1,639,911 during the year ended October 31, 2007 to other comprehensive income as it perceived that the decline in fair value was not long-term and concluded that ABCP was not impaired. In accordance with CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" the Company concluded that the decline in fair value is other than temporary and recognized recorded an impairment charge of $1,639,911 previously recorded in other comprehensive income in the statement of loss during the year ended October 31, 2008. The valuation model was updated at October 31, 2008 with revised assumptions based on current market conditions and, as a result, the Company recorded an additional provision for impairment of ABCP of $2,902,046 bringing the total impairment charge to $4,541,957.

As at January 31, 2009, an increase in the estimated discount rates of 100 basis points would reduce net income by $275,000.

Note 5 Equipment

	Cost	Amortization	Net Book Value January 31, 2009	Net Book Value October 31, 2008
Field equipment	$ 156,280	$ 35,198	$ 121,082	$ 96,239

Note 6 Resource Properties

Blue River Claims – (formerly Verity and Fir Claims)

The Company has a 100% interest in its Verity and Fir claims, located in the Blue River region of the Kamloops Mining District of B.C., Canada, which were previously acquired by staking. During the year ended October 31, 2007, the Company acquired a 100% interest in three additional Fir claims. During the year ended October 31, 2008, the Company acquired a further 13 claims.

Eldor Property

The Company acquired by staking and a purchase agreement with Virginia Mines Inc. ("Virginia Mines") a 100% interest in the Eldor Carbonatite Complex, located in the Labrador Trough area of Quebec, Canada. During the year ended October 31, 2007, the Company has agreed to purchase 8 mineral claims covering a portion of the Eldor Carbonatite. The claims are adjacent to the approximately 88 claims staked previously. Pursuant to the terms of the purchase agreement, the Company issued 710,000 common shares and 290,000 share purchase warrants to Virginia Mines. The share purchase warrants are exercisable at $1.12 per share with an expiry date of two years from date of issuance. In connection with this transaction, the Company also issued 25,000 common shares as a finder's fee. The total of 735,000 common shares issued for this transaction was valued at $1,014,300 which was determined by the closing price of the Company's shares on the date of the execution of the option agreement. A charge of $176,602 had been recorded in resource properties acquisition costs in respect to the share purchase warrants. The fair value of these warrants was determined using the Black-Scholes option pricing model with the following assumptions:

	2007
Weighted average fair value of warrants issued	$ 0.61
Expected dividend yield	0.0%
Expected volatility	62.1%
Risk-free interest rate	4.50%
Expected term in years	2 years

Virginia Mines will also be entitled to a 1% net smelter royalty. A total of 5 claims noted above are subject to an underlying 5% net profit royalty, which can be purchased for $500,000.

Note 6 Resource Properties – (cont'd)

Other Claims

Other claims consist of mineral claims located in B.C., Canada known as the Cable Creek, Mud Lake, Carbo and Au/WEN claims. During the year ended October 31, 2007 the Company sold all of its interest in the Au/WEN claims.

Note 7 Share Capital

Authorized:

Unlimited common shares without par value

Issued:

		Number	Amount
Balance, October 31, 2007		111,438,265	49,555,396
Issued for cash:			
– Exercise of warrants	- at $0.42	95,750	40,215
Balance, October 31, 2008		111,534,015	$ 49,595,611
		-	-
Balance, January 31, 2009		111,534,015	$ 49,595,611

During the year ended October 31, 2008, the Company received payment in respect to the subscriptions receivable of $112,500.

All proceeds from the above private placements were allocated to share capital with no amounts allocated to the attached warrants.

Stock Options

The Company has a stock option plan for officers, directors, employees and consultants. Options are granted with an exercise price determined by the Board of Directors, which may not be less than 25% of the Company's stock price on the date of the grant. All stock options vest immediately, except for those granted to employees and/or consultants engaged in investor relations activities, of which no more than one-quarter of the options granted may vest in any three month period.

Note 7 Share Capital – (cont'd)

Stock Options – (cont'd)

A summary of the stock option as of January 31, 2009 is presented below:

	2009		2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of year	6,585,000	$0.70	6,847,500	$0.70
Granted	-	-	-	-
Exercised	-	-	-	-
Expired/forfeited	-	-	(262,500)	$1.03
Outstanding, end of period	6,585,000	$0.70	6,585,000	$0.70
Exercisable, end of period	6,585,000	$0.70	6,585,000	$0.70

At January 31, 2009, the Company had 6,585,000 (2008: 6,585,000) share purchase options outstanding entitling the holders thereof the right to purchase one common share as follows:

Note 7 Share Capital – (cont'd)

Stock Options – (cont'd)

Number 2009	Number 2008	Exercise Price	Expiry Date
500,000	500,000	$0.55	March 31, 2009
500,000	500,000	$0.75	March 31, 2009
250,000	250,000	$0.15	February 6, 2011
20,000	20,000	$0.18	February 20, 2011
250,000	250,000	$0.21	February 20, 2011
500,000	500,000	$0.30	March 15, 2011
550,000	550,000	$0.35	September 27, 2011
2,000,000	2,000,000	$0.67	March 16, 2012
550,000	550,000	$1.15	April 16, 2012
115,000	115,000	$1.25	April 17, 2012
250,000	250,000	$1.12	June 6, 2012
1,000,000	1,000,000	$1.00	September 20, 2012
100,000	100,000	$1.15	October 3, 2012
6,585,000	6,585,000		

At January 31, 2009, the 6,585,000 share purchase options outstanding have exercise prices between $0.15 and $1.25 and a weighted average remaining contractual life of 2.6 years (2008: 2.8 years).

Share Purchase Warrants

	2009			2008		
	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, beginning of year	28,635,442	$1.45	0.7	28,731,192	$1.45	2.0
Issued	-	-	-	-	-	-
Exercised	-	-	-	(95,750)	$0.42	1.2
Expired	(1,343,625)	$0.42	-	-	-	-
Balance, January 31, 2009	27,291,817	$1.45	0.5	28,635,442	$1.45	0.7

Note 7 Share Capital – (cont'd)

Share Purchase Warrants – (cont'd)

The following share purchase warrants are outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

Number		Exercise	
2009	2008	Price	Expiry Date
-	*1,343,625	$0.42	January 9, 2009
3,761,003	3,761,003	$1.50	June 26, 2009
14,674,600	14,674,600	$1.50	July 24, 2009
8,856,214	8,856,214	$1.50	August 1, 2009
27,291,817	28,635,442		

* A total of 95,750 share purchase warrants were exercised at $0.42 for total proceeds of $40,215. On January 9, 2009, the remaining 1,343,625 warrants expired unexercised.

Brokers Units and Warrants

The following brokers units and warrants are also outstanding entitling the holder thereof the right to purchase one common share for each unit or warrant held:

Number			Exercise	
2009	2008	Description	Price	Expiry Date
290,000	290,000	Warrants	$1.12	June 19, 2009
1,232,101	1,232,101	Brokers' units	$1.20	August 1, 2009
1,232,101	1,232,101	Warrants*	$1.50	August 1, 2009
2,754,202	2,754,202			

*Exercisable only if Broker Units are exercised into units.

Note 8 Related Party Transactions

Except as disclosed elsewhere in these financial statements, the Company had the following transactions with directors of the Company and companies with a common director:

	2009	2008
Administration fees	$ 270,000	$ 1,080,000
Deferred exploration and development costs	371,575	3,941,358
Consulting	27,098	164,372
	$ 668,673	$ 5,185,730

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

At January 31, 2009, accounts payable includes $174,017 (2008: $1,059,605) due to a company with a common director of the Company for geological consulting work and $2,987 due to a director of the Company for reimbursement of expenses.

Administrative fees include management fees, rental expenses and accounting services received during the period.

Note 9 Corporation Income Taxes

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2009	2008
Statutory tax rate	31.60%	31.60%
Loss before income taxes	$ (74,715)	$ (4,695,655)
Expected income tax recovery on net loss, before income tax	24,000	1,484,000
Differences due to recognition of items for tax purposes:		
Effect of reduction in statutory rate	-	(811,000)
Expiry of loss carryforward	-	(100,000)
Increase in valuation allowance	-	(570,000)
Permanent difference	-	(3,000)
Income tax recovery	$ 24,000	$ -

Note 9 Corporation Income Taxes – (cont'd)

The significant components of the Company's future income tax assets (liabilities) are as follows:

	2009	2008
Non-capital losses carry forward	$ 1,592,000	$ 1,568,000
Canadian development and exploration expenditures	(207,000)	(207,000)
Share issue costs	318,000	318,000
Other comprehensive loss	1,181,000	1,181,000
Other	16,000	16,000
	2,900,000	2,876,000
Less: valuation allowance	(2,900,000)	(2,876,000)
	$ -	$ -

The Company has recorded a valuation allowance against its net future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward period to utilize all the net future tax assets.

Subject to certain restrictions, the Company has accumulated $21,450,000 of Canadian development and exploration expenditures available to reduce taxable income of future years. In addition, the Company has accumulated capital losses totalling $14,000 and non-capital losses totalling $6,057,000 that are available to reduce taxable income of future years. The non-capital losses expire as follows:

2009	$ 387,000
2010	255,000
2014	296,000
2015	336,000
2026	703,000
2027	1,884,000
2028	2,172,000
2029	24,000
	$ 6,057,000

Note 10 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. The following transactions have been excluded from the statement of cash flows:

During the three months ended January 31, 2009:

a) Deferred exploration and development costs in the investing activities were net of mining tax credits of $264,075.

b) Deferred exploration expenditures of $477,583 were included in accounts payable at January 31, 2009.

During the year ended October 31, 2008:

a) Deferred exploration and development costs in the investing activities were net of mining tax credits of $195,506.

c) Deferred exploration expenditures of $2,122,230 were included in accounts payable at October 31, 2008.

d) Accrued interest receivable on ABCP of $63,899 was reclassified as amounts receivable.

Note 11 Subsequent Events

a) In February 2009, the Company completed an agreement with an unrelated party whereby the purchaser is entitled to a 75% interest in the Carbo property by paying $30,000 in cash, issuing 1,500,000 common shares to the Company and incurring total expenditures of $198,000 on the property over a three year period.

Note 12 Comparative Figures

Certain of the prior year's figures for October 31, 2008 have been reclassified to conform with the presentation adopted in the current year.