COMMERCE RESOURCES CORP.

COMMERCE RESOURCES CORP.

REPORT AND FINANCIAL STATEMENTS

July 31, 2009 and October 31, 2008

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September 28, 2009

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	July 31, 2009 *(Unaudited)*	October 31, 2008 *(Audited)*
Current		
Cash and cash equivalents	$ 11,746,613	$ 16,001,022
Marketable securities – Note 3	139,080	10,700
Amounts receivable	23,065	66,904
Goods and services tax receivable	102,021	387,282
Prepaid expenses	305,858	116,125
	12,316,637	16,582,033
Investments in asset-backed commercial paper – Note 4	3,543,682	3,593,698
Reclamation bonds	57,000	57,000
Equipment – Note 5	560,203	96,239
Resource properties – Notes 6, 7 and Schedule I	22,257,514	20,880,416
	$ 38,735,036	$ 41,209,386
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 314,786	$ 1,134,133
Due to related parties – Note 8	281,449	1,059,605
Accounts payable and accrued liabilities	$ 596,235	$ 2,193,738
SHAREHOLDERS' EQUITY		
Share capital – Note 7	49,644,843	49,595,611
Contributed surplus – Note 7	4,253,413	3,729,480
Accumulated other comprehensive loss	(62,765)	(62,765)
Deficit	(15,696,690)	(14,246,678)
	38,138,801	39,015,648
	$ 38,735,036	$ 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 and nine months ended July 31, 2009 and 2008
(Unaudited)

	For the three months ended 2009	For the three months ended 2008	For the nine months ended 2009	For the nine months ended 2008
Administrative costs				
Administration fees and rent – Note 8	$ 270,000	$ 270,000	$ 810,000	$ 810,000
Advertising and website	35,564	28,145	142,342	312,470
Bank charges and interest	395	510	1,424	1,178
Consulting fees – Note 8	13,204	85,752	145,564	171,211
Filing and transfer agent fees	16,248	1,437	30,271	44,818
Insurance	1,430	-	1,430	-
Investor relations	32,420	125,282	102,112	317,062
Office, telephone and miscellaneous	3,718	30,975	11,840	46,848
Professional fees	2,409	3,508	2,984	50,331
Stock based compensation – Note 6	-	-	541,665	-
Travel and promotion	11,370	53,136	207,330	166,192
Wages and benefits	-	-	-	195
Loss before other items and income taxes	386,758	598,745	1,996,962	1,920,305
Other items:				
Interest income	(183,901)	(187,555)	(539,989)	(742,808)
Loss before income taxes	202,857	411,190	1,456,973	1,177,497
Recovery of future income taxes – Note 9	-	-	-	-
Net loss for the period	202,857	411,190	1,456,976	1,177,497
Other comprehensive loss				
Unrealized loss (gain) on marketable securities – Note 3	(3,186)	(10)	(6,961)	815
Comprehensive loss for the period	$ 199,671	$ 411,180	$ 1,450,012	$ 1,178,312
Basic and diluted loss per share	$ 0.002	$ 0.000	$ 0.013	$ 0.011
Weighted average number of shares outstanding	111,552,508	110,176,522	111,552,508	110,176,522

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.

STATEMENTS OF SHAREHOLDERS' EQUITY

For the nine months ended July 31, 2009 and the year ended October 31, 2008

(Unaudited)

	Share Capital		Share Subscriptions	Contributed	Accumulated Other Comprehensive		
	Number	Amounts	Receivable	Surplus	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	-	-	-	-	-	(6,301,540)	(6,301,540)
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
Issuance of stock options	-	-	-	541,665	-	-	541,665
Exercise of stock options	150,000	49,232	-	(17,732)	-	-	31,500
Net loss	-	-	-	-	-	(1,450,012)	(1,450,012)
Balance, July 31, 2009	111,684,015	$ 49,644,843	$ -	$ 4,253,413	$ (62,765)	$ (15,696,690)	$ 38,138,801

SEE ACCOMPANYING NOTES

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

	For the three months ended		For the nine months ended	
	2009	2008	2009	2008
Operating Activities				
Net loss for the period	$ (199,671)	$ (411,190)	$ (1,450,012)	$ (1,177,497)
Add (deduct) items not affecting cash:				
Stock-based compensation	-	-	541,665	-
Unrealized gain on marketable securities	(3,186)	-	(6,961)	-
Depreciation	-	9,200	-	12,266
Changes in non-cash working capital items related to operations:				
Marketable securities	(46,419)	-	(83,919)	-
Amounts receivable	(21,444)	(8,509)	43,839	(576,882)
Goods and services tax receivable	63,568	(92,124)	285,261	(31,931)
Prepaid expenses	(48,545)	(85,531)	(189,733)	(625,824)
Accounts payable and accrued liabilities	(5,019)	731,937	(351,596)	834,676
Due to related parties	(58,382)	-	281,449	-
Cash used in operating activities	(319,098)	143,783	(930,007)	(1,565,192)
Financing Activities				
Issue of share capital for cash, net	31,500	-	31,500	40,215
Share subscriptions receivable	-	-	-	112,500
Property interest payment	10,000		10,000	
Mining tax credit	2,649,832	-	2,964,006	195,506
Cash provided by financing activities	2,691,332	-	3,005,506	348,221
Investing Activities				
Acquisition of resource properties	(2,066)	-	(2,066)	(102,276)
Acquisition of equipment	(17,119)	-	(512,528)	(110,395)
Asset-backed commercial paper	50,016	-	50,016	-
Reclamation bond	-	(32,500)	-	(32,500)
Deferred exploration and development costs	(1,983,347)	(4,345,601)	(5,865,330)	(5,597,536)
Cash used in investing activities	(1,952,516)	(4,378,101)	(6,329,908)	(5,842,707)
Increase (decrease) in cash and cash equivalents during the period	419,718	(4,234,318)	(4,254,409)	(7,059,678)
Cash and cash equivalents, beginning of period	11,326,895	26,363,683	16,001,022	29,189,043
Cash and cash equivalents, end of period	$11,746,613	$22,129,365	$11,746,613	$22,129,365

Non-cash Transactions – Note 10

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP. Schedule I

SCHEDULE OF RESOURCE PROPERTIES

For the nine months ended July 31, 2009

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of the year	$ 201,365	$ 1,208,547	$ 28,927	$ 1,438,839
Staking	-	2,066	-	2,066
Balance, end of the period	201,365	1,208,547	28,927	1,440,905
Deferred exploration and development costs				
Balance, beginning of the year	14,140,053	5,191,401	110,123	19,441,577
Assays & analytical	342,725	69,625	-	412,350
Consulting	37,557	19,343	1,242	58,142
Drilling	968,958	2,730	-	971,688
Engineering	239,261	-	-	239,261
Environmental & permitting	146,858	14,496	-	161,354
Field equipment rental	116,993	58,275	72	175,340
Community	4,830	-	-	4,830
Field supplies	49,984	105,795	-	155,779
Food & accommodation	49,894	17,477	-	67,371
Geology, mapping, & drafting	853,508	320,369	840	1,174,717
Geophyics	-	5,000	-	5,000
Metallurgy	222,266	-	-	222,266
Other	37,177	-	-	37,177
Overhead	1,212	5,003	-	6,215
Project insurance	861	1,274	-	2,135
Recording fees	320,367	-	-	320,367
Research	51,396	-	-	51,396
Road & site preparation	13,791	-	-	13,791
Sampling & prospecting	137	-	-	137
Travel & transport – Note 8	75,431	231,791	-	307,222
	3,533,206	851,178	2,154	4,386,538
Less: Mining tax credits	(905,600)	(2,058,406)	-	(2,964,006)
Property interest payment	-	-	(47,500)	(47,500)
Expenditures to July 31, 2009	16,767,659	3,984,173	64,777	20,816,609
Balance, July 31, 2009	$ 16,969,024	$ 5,194,786	$ 93,704	$ 22,257,514

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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 Claims	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
Field office	None

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 36,113,918 (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 July 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 July 31, 2009, cash and cash equivalents of $11.7 million (2008 - $16 million) consisted of cash balances of $0.3 million (2008 - $5 million) on deposit with Canadian chartered banks and $11.4 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 $3.5 million net (2008 - $3.6 million) of impairment charges represents the maximum exposure to credit risk at July 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 July 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 July 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 has adopted 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 July 31, 2009	Fair Value October 31, 2008
Available-for-sale	$ 194,885	$ 55,805	$ 139,080	$ 10,700

Note 4 Investments in Asset-Backed Commercial Paper

As at July 31, 2009, the Company held Asset-Backed Commercial Paper ("ABCP") issued by a number of trusts with an original cost of $8,085,639 (2008: $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:

? $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.

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

? $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 July 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 July 31, 2009	Net Book Value October 31, 2008
Field equipment	$ 226,552	$ 70,944	$ 155,608	$ 96,239
Field office	$ 404,595	$ -	$ 404,595	$ -
Balance, end of period	$ 631,147	$ 70,944	$ 560,203	$ 96,239

Note 6 Resource Properties

Blue River Claims – (formerly known as the Upper Fir, 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 acquired by staking. During the year ended October 31, 2007, the Company acquired a 100% interest in three additional Fir claims by staking. During the year ended October 31, 2008, the Company acquired a further 13 claims by staking.

Eldor Claims

The Company acquired, by staking and a purchase agreement, 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 purchased 8 mineral claims from Virginia Mines Inc. ("Virginia Mines"), which cover a portion of the Eldor Carbonatite. These claims are adjacent to the approximately 88 claims staked by the Company.

Under the terms of the purchase agreement with Virginia Mines, the Company issued 710,000 common shares and 290,000 share purchase warrants to Virginia Mines. The share purchase warrants were exercisable at $1.12 per share until June 19, 2009. 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 retains a 1% net smelter royalty on the 8 claims purchased from them. As well, 5 of the 8 claims are subject to an underlying 5% net profit royalty, which can be purchased for $500,000.

The share purchase warrants issued to Virginia Mines expired unexercised on June 19, 2009.

Other Claims

Other claims consist of mineral claims located in B.C., Canada known as the Cable Creek, Mud Lake, and Carbo claims. On January 15, 2009, the Company entered into a Mineral Acquisition Agreement with Canadian International Metals Inc. ("CIN") whereby CIN can acquire a 75% interest in the Carbo Property. In consideration for the interest, CIN must pay the Company $30,000 ($10,000 paid) in cash, issue 1,500,000 (500,000 issued) common shares to the Company and incur total exploration expenditures of $198,000 on the Carbo Property over a three year period. The transaction was completed in early May.

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
Exercise of options	- at $0.21	150,000	31,500
Fair value of options exercised			17,732
Balance, July 31, 2009		111,684,015	$ 49,644,843

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

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.

The Company issued 2,100,000 incentive stock options on April 13, 2009. Each incentive stock option is exercisable into one common share of the Company at a price of $0.26 per share for a period of five years. The Company also received shareholder and TSX Venture Exchange approval for the re-pricing of a total of 4,220,000 incentive stock options from various prices to $0.26.

Note 7 Share Capital – (cont'd)

Stock Options – (cont'd)

A summary of the stock options as of July 31, 2009 is presented below:

	2009		2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of year	6,585,000	$0.37	6,847,500	$0.37
Granted	2,100,000	$0.26	-	-
Exercised	(150,000)	$0.21	-	-
Expired/forfeited	(1,095,000)	$0.68	(262,500)	$0.68
Outstanding, end of period	7,440,000	$0.26	6,585,000	$0.37
Exercisable, end of period	5,340,000	$0.31	6,585,000	$0.37

At July 31, 2009, the Company had 7,440,000 (2008: 6,585,000) share purchase options outstanding entitling the holders thereof the right to purchase one common share as follows:

Number 2009	2008	Original Exercise Price	Revised Exercise Price	Expiry Date
	500,000	$0.55	-	March 31, 2009
	500,000	$0.75	-	March 31, 2009
250,000	250,000	$0.15	$0.15	February 6, 2011
20,000	20,000	$0.18	$0.18	February 20, 2011
100,000	250,000	$0.21	$0.21	February 20, 2011
500,000	500,000	$0.30	$0.26	March 15, 2011
500,000	550,000	$0.35	$0.35	September 27, 2011
2,000,000	2,000,000	$0.67	$0.26	March 16, 2012
550,000	550,000	$1.15	$0.26	April 16, 2012
70,000	115,000	$1.25	$0.26	April 17, 2012
250,000	250,000	$1.12	$0.26	June 6, 2012
1,000,000	1,000,000	$1.00	$0.26	September 20, 2012
100,000	100,000	$1.15	$0.26	October 3, 2012
1,900,000	-	$0.26	$0.26	April 13, 2014
200,000	-	$0.26	$0.26	April 13, 2014
7,440,000	6,585,000			

At July 31, 2009, the 7,440,000 share purchase options outstanding have exercise prices between $0.15 and $0.35 and a weighted average remaining contractual life of 3.2 years (2008: 2.8 years).

Note 7 Share Capital – (cont'd)

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, July 31, 2009	27,291,817	$1.45	2.0	28,635,442	$1.45	0.7

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

Number 2009	Number 2008	Exercise Price	Expiry Date
-	1,343,625	$0.42	January 9, 2009
3,761,003	3,761,003	$1.50	June 26, 2011*
14,674,600	14,674,600	$1.50	July 24, 2011*
8,856,214	8,856,214	$1.50	August 1, 2011*
27,291,817	28,635,442		

On January 9, 2009, 1,343,625 warrants expired unexercised.

*On June 16, 2009, the Company received TSX Venture Exchange approval for the extension of a total of 27,291,817 share purchase warrants. The expiry date of the share purchase warrants has been extended for an additional two years and will expire in 2011.

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 2009	Number 2008	Description	Exercise Price	Expiry Date
-	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
2,464,202	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	$ 810,000	$ 1,080,000
Deferred exploration and development costs	1,431,015	3,941,358
Fixed assets	60,000	-
Consulting	78,753	164,372
	$ 2,379,768	$ 5,185,730

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

At July 31, 2009, accounts payable includes $281,449 (2008: $1,059,605) due to a company with a common director of the Company for geological consulting.

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	$ (1,450,012)	$ (4,695,655)
Expected income tax recovery on net loss, before income tax	458,000	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	(455,000)	(570,000)
Permanent difference	(3,000)	(3,000)
Income tax recovery	$ -	$ -

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	$ 1,945,580	$ 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
	3,250,580	2,876,000
Less: valuation allowance	(3,250,580)	(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 $22,257,514 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 $7,469,000 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	1,450,000
	$ 7,483,000

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 nine months ended July 31, 2009:

a) Deferred exploration and development costs in the investing activities were net of mining tax credits of $2,964,006.

b) Deferred exploration expenditures of $594,874 were included in accounts payable at July 31, 2009.

c) Property interest payments include $37,500 of shares issued to the Company.

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.

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

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

Note 11 Subsequent Events

a) Subsequent to the quarter end, 1,232,101 brokers' units and 1,232,101 warrants expired.

b) On September 15, 2009, the Company completed a private placement of a total of 16,676,750 units at a price of $0.40 per unit for gross proceeds of $6,670,700. Each unit consisted of one common share and one half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one additional common share of the Company for two years, at a price of $0.50 per share until September 15, 2010 and at a price of $0.54 per share from September 16, 2010 until September 15, 2011. All securities issued are subject to a four-month hold period, expiring on January 15, 2010. Finder's fees of a total of $369,288 and 18,875 common shares was paid in accordance with the policies of the TSX.

Pope & Company, an independent brokerage firm that provides investment banking, capital markets and asset management services, assisted in a portion of the private placement and sold 7,021,500 of the units. A cash commission equal to 8% of the total proceeds raised was be paid to Pope & Company ($224,688). Pope & Company also received broker warrants, equal to 8% of the units placed (561,720 Broker Warrants), which are exercisable until September 15, 2011, at a price of $0.40 per broker warrant, into one common share and one half of one share purchase warrant. Each whole share purchase warrant issued upon exercise of the broker warrants will entitle the holder to purchase one additional common share of the Company for two years, at a price of $0.50 per share in the first year and at a price of $0.54 per share in the second year.

The remaining 9,655,250 units were sold on a non-brokered basis.

The proceeds of the private placement will be used to advance the Company's exploration and development program on its Blue River Tantalum and Niobium Project, British Columbia, to conduct exploration at the Eldor Property, Quebec, and for general working capital.

c) On September 21, 2009, the Company announced a private placement of up to 1,137,500 units, at a price of $0.40 per unit, for proceeds of up to $455,000, subject to the approval of the TSX Venture Exchange. Each unit consists of one common share and one half of one share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one additional common share of the Company for two years, at a price of $0.50 per share in the first year and at a price of $0.54 per share in the second year. All securities issued will be subject to a four-month hold period and finder's fees may be payable in accordance with the policies of the TSX The proceeds of the private placement will be used to advance the Company's exploration and development program on its Blue River Tantalum and Niobium Project, British Columbia, to conduct exploration at the Eldor Property, Quebec, and for general working capital.

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.