Lovitt Resources Inc.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

(Expressed in U.S. Dollars)

AUDITORS' REPORT

To the Shareholders of
Lovitt Resources Inc.

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

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.
April 22, 2010

Chartered Accountants

Lovitt Resources Inc.

CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)

	December 31, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash	$ 3,544	$ 4,417
Amounts receivable	10,134	713
Prepaid expenses	1,687	1,340
	15,365	6,470
LOAN RECEIVABLE (Note 3)	–	109,905
ASSETS HELD FOR SALE (Note 4)	331,547	331,547
PROPERTY, PLANT AND EQUIPMENT (Note 5)	284,828	296,457
MINERAL PROPERTIES (Note 6)	240,802	88,465
PATRONAGE DIVIDENDS RECEIVABLE	19,845	19,845
	$ 892,387	$ 852,689
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 134,166	$ 51,020
Accrued interest payable	269,478	200,393
Note payable (Note 7)	5,459	4,710
Current portion of long-term debt (Note 8)	394,921	359,353
	804,024	615,476
LONG-TERM DEBT (Note 8)	920,000	773,925
	1,724,024	1,389,401
SHAREHOLDERS' EQUITY (DEFICIENCY)		
SHARE CAPITAL (Note 9)	2,492,110	2,435,623
CONTRIBUTED SURPLUS	23,369	23,369
RETAINED EARNINGS (DEFICIT)	(3,347,116)	(2,995,704)
	(831,637)	(536,712)
	$ 892,387	$ 852,689

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 19)

See accompanying summary of accounting policies and notes to the consolidated financial statements.

Approved by the Board C. Lorne Brown **Director** Dominic Lapenna **Director**

Lovitt Resources Inc.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT

(Expressed in U.S. Dollars)

	Years ended December 31, 2009	Years ended December 31, 2008
REVENUE	$ –	$ –
EXPENSES		
Amortization of property, plant and equipment	16,090	25,832
General and administrative	163,230	156,071
Interest on long-term debt	116,407	95,127
Interest – other	5,761	5,746
Management fees (Note 16)	60,000	60,000
	361,488	342,776
INCOME (LOSS) BEFORE OTHER ITEMS	(361,488)	(342,120)
OTHER ITEMS		
Gain on sale of land (Notes 3, 10 and 16)	–	144,286
Gain on sale of water rights (Note 11)	11,506	–
Loss on sale of note receivable (Note 3)	(23,986)	–
Gain on sale of equipment (Note 12)	14,175	–
Interest income	5,581	656
Miscellaneous income	2,800	5,400
	10,076	150,342
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	(351,412)	(192,434)
RETAINED EARNINGS (DEFICIT), beginning of year	(2,995,704)	(2,803,270)
RETAINED EARNINGS (DEFICIT), end of year	$ (3,347,116)	$ (2,995,704)
EARNINGS (LOSS) PER SHARE – basic and diluted	$ (0.07)	$ (0.04)

See accompanying summary of accounting policies and notes to the consolidated financial statements.

Lovitt Resources Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in U.S. Dollars)

	Years ended December 31,	
	2009	2008
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net income (loss) for the year	$ (351,412)	$ (192,434)
Adjustments to reconcile net cash provided by operating activities		
Amortization of property, plant and equipment	16,090	25,832
Gain on disposal of land	–	(144,286)
Gain on disposal of water rights	(11,506)	–
Loss on sale of loan receivable	23,986	–
Gain on disposal of equipment	(14,175)	(5,400)
Decrease (increase) in		
Amounts receivable	(9,421)	12,353
Prepaid expenses	(347)	20,176
Increase (decrease) in		
Accounts payable and accrued liabilities	83,146	(55,153)
Accrued interest payable	69,085	(32,737)
Note payable	749	(1,075)
	(193,805)	(372,724)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,955)	(76,074)
Proceeds on sale of land, net of selling expenses	–	49,187
Proceeds on sale of water rights	12,000	–
Expenditures on mineral properties	(98,585)	(88,463)
Proceeds on sale of equipment	14,175	5,400
Proceeds on sale of loan receivable	85,919	–
	8,554	(109,950)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	–	127,500
Exercise of warrants	2,735	22,268
Share issue costs	–	(12,293)
Repayment of long-term debt	(25,368)	(113,129)
Proceeds from long-term debt	207,011	–
	184,378	24,346
INCREASE (DECREASE) IN CASH DURING THE YEAR	(873)	(458,328)
CASH, beginning of year	4,417	462,745
CASH, end of year	$ 3,544	$ 4,417

See Note 17.

See accompanying summary of accounting policies and notes to the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is incorporated under the *Company Act* (British Columbia). The Company holds land and mineral interests located in Wenatchee, Washington, U.S.A., a high-tech pasteurizing equipment, and a controlled-atmosphere warehouse facility.

Effective September 10, 2008, the Company changed its name from Lovitt Nutriceutical Corporation to Lovitt Resources Inc.

In 2007, the Company eliminated its orchards, ceased orchard operations and refocused its activity to expand the gold and silver mineral interests. The Company currently owns 270 acres of land, and owns 100% of the mineral interest in approximately 200 acres and a 70% mineral interest in an additional 350 acres. In the past, the Company financed its operations by selling land and orchard equipment.

The accompanying consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern. The Company has made an assessment of its ability to continue as a going concern and is aware of several material adverse conditions as set out below that cast significant doubt on the validity of this assumption. At December 31, 2009, the Company has no source of operating cash flow and an accumulated deficit of $ 3,347,616 (2008 - $ 2,995,704). At December 31, 2009, the Company had a working capital deficiency of $ 788,659 (December 31, 2008 - $ 609,006) and expects to incur further losses in the development of its business. Operations for the year ended December 31, 2009 were funded primarily from issuing additional long-term debt.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. The current equity market conditions, the challenging funding environment and the low price of the Company's common shares make it dilutive and difficult to raise funds by the sale of the Company's shares. The junior resource industry has been severely impacted by the world economic situation, as it is considered to be a high-risk investment. In order to ensure its ability to continue operating, the Company expects to sell land and any remaining non-mining equipment and the cold storage building on five acres of land to finance a mineral exploration and development program. However, there is no assurance that any such activity will generate funds that will be available for investments or operations.

The consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of, liabilities which would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The amounts shown as mineral properties and related deferred costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interest, and on future profitable production of proceeds from the disposition of the mineral property interests.

2. ACCOUNTING POLICIES

Basis of presentation
These consolidated financial statements are prepared in U.S. dollars, unless otherwise noted, in accordance with Canadian generally accepted accounting principles.

Use of estimates
The presentation of consolidated financial statements in conformity with Canadian GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in these financials statements and related notes. Management regularly reviews the estimates and assumptions that affect the consolidated financial statements, although actual results may be materially different from these estimates and assumptions. Areas where significant estimates and assumptions are required by management include the determination of impairment of capitalized mineral property expenditures, the provision for income taxes, asset retirement obligations, the fair value estimates for financial instruments, and impairment of property, plant and equipment and assets held for sale.

Principles of consolidation
These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Lovitt Mining Company, Inc. (a U.S. corporation). Lovitt Mining Company, Inc.'s financial statements include the accounts of its wholly owned subsidiary, Gold King Inc. (a U.S. corporation). All significant inter-company balances and transactions have been eliminated.

Cash equivalents
The Company considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents. There are no cash equivalents at December 31, 2009 and 2008.

Property, plant and equipment
Property, plant and equipment are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the expected useful life of each property, plant and equipment. Land is reclassified as held for sale upon being listed for sale.

2. **ACCOUNTING POLICIES** - continued

Mineral properties
Mineral property costs and exploration, development and field support costs directly relating to mineral properties are deferred until there is reasonable certainty as to the existence of economically recoverable mineral reserves and the property to which they relate is placed into production, sold or abandoned. Costs are amortized against future production from the property. Costs of abandoned properties are written off at the earlier of the decision to abandon the property or the expiry date of assessment work on the property. Administrative costs and other exploration costs that do not relate to any specific property are expensed as incurred.

Mineral properties represent net expenditures incurred and capitalized as of the balance sheet date and do not necessarily reflect present or future values. The Company follows procedures to verify title for each of its mineral properties in accordance with industry standards and, to the best of its knowledge these mineral properties are in good standing. These procedures, however, will not necessarily prevent future challenges by third parties as to the validity of the Company's interests in its mineral properties.

Patronage dividends receivable
Patronage dividends are accounted for using the equity method and are redeemable at the discretion of the issuing co-operative.

Asset retirement obligations
The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to earnings using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As at December 31, 2009 and 2008, the Company does not have any asset retirement obligations.

Impairment of long-lived assets
Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

Future income taxes
Income taxes are recorded on a tax allocation basis. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using enacted income tax rates. The effect of changes in effective income tax rates is recognized in income in the period in which the change occurs. Future income tax assets are recognized with respect to deductible temporary differences and loss carryforwards only to the extent their realization is considered more likely than not.

Revenue recognition
Interest and other revenue is recognized in the period the amounts are earned and when collection is reasonably assured.

Land and other capital asset sales are recognized when title transfers to the purchaser, when collection of sales proceeds is reasonably assured and when all other obligations have been fulfilled.

Foreign currency translation
The Company's subsidiary is an integrated foreign operation. The accounts of the Company and its consolidated subsidiary are measured using the U.S. dollar as the functional currency. Monetary items in the parent company that are denominated in Canadian dollars are translated into U.S. dollars using exchange rates in effect at the balance sheet date and non-monetary items are translated using historical exchange rates. Revenues and expenses are translated into U.S. dollars at the average rate in effect during the period in which they were earned or incurred with the exception of amortization which is translated at historical rates. Exchange gains or losses arising on the transaction or settlement of foreign currency denominated monetary items are included in the determination of net income.

Earnings (loss) per share
Earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year, which amounted to 5,146,078 (2008 – 4,848,380 shares). Diluted earnings (loss) per share is presented using the treasury stock method and is calculated by dividing the net income (loss) applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

Financial instruments
All financial instruments are classified into one of five categories, with each category possessing specific requirements for initial and subsequent recognition and measurement.

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Patronage dividends receivable, amounts receivable and loan receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, accrued interest payable, note payable and long-term debt are classified as other financial liabilities, which are measured at amortized cost, using the effective interest rate method.

2. **ACCOUNTING POLICIES** - continued

Section 3862, *Financial Instruments – Disclosures,* requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair vale hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Section 3862 prioritizes the inputs into three levels that may be used to measure fair value;

Level 1 Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 Applies to assets or liabilities for which there are unobservable market data.

The Company's financial instruments consist principally of cash, amounts receivable and accounts payable and accrued liabilities. Pursuant to Section 3862, fair value of assets and liabilities measured on a recurring basis include cash determined based on Level 1 inputs. The Company believes that the recorded values of all amounts receivable and payable approximately their current fair values because of their nature and respective maturity dates or durations.

Transaction costs
The Company recognizes transaction costs incurred in connection with the issuance of capital as share issuance costs which are netted against gross proceeds from related transactions rather than being expensed as incurred. Transaction costs for assets and liabilities classified as "held for trading" or "available for sale" are expensed as incurred.

Recent accounting pronouncements
Effective January 1, 2009, new accounting standards were issued by the CICA which impact the Company in the future as follows:

Credit Risk and Fair Value of Financial Assets and Liabilities

In January 2009, the CICA issued EIC–173, *Credit Risk and the Fair Value of Financial Assets* and *Financial Liabilities*. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments.

The standard is effective for the Company's fiscal year beginning January 1, 2009. Adoption of this EIC did not have a significant effect on the Company's consolidated financial statements for the year ended December 31, 2009.

Mining Exploration Costs

In March 2009, the CICA issued EIC–174, *Mining Exploration Costs*. The EIC provides guidance on the accounting and the impairment review of exploration costs. The standard is effective for the Company's fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on the Company's consolidated financial statements for the year ended December 31, 2009.

General Standard of Financial Statement Presentation

For the year ended December 31, 2009, the Corporation adopted the amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures, which expands financial statement fair value measurement and liquidity risk management disclosures.

Goodwill and intangible assets

Effective January 1, 2009 the Company adopted the new recommendations of Section 3064, *Goodwill and intangible assets*, which 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, *Good and other intangible assets*.

The adoption of Section 3064 did not have an impact on the Company's financial position and results of operations.

2. **ACCOUNTING POLICIES** - continued

Future accounting standards

Business Combinations, Consolidated Financial Statements and Non-controlling Interest

In January 2009, the CICA issued CICA Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-controlling interest*. These sections replace the former CICA Handbook Section 1581, *Business Combinations* and Section 1600, *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, *Business Combinations* (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination.

CICA Handbook Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“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 the date for publicly-listed companies to use IFRS, replacing Canadian GAAP, 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 December 31, 2010. The Company is evaluating the financial reporting impact of the transition to IFRS.

3. **LOAN RECEIVABLE**

In 2008, the Company received a note receivable of $ 110,000 as partial consideration from the purchaser on the sale of land. The loan had interest of 7.5% per annum, payable in monthly payments of $ 750 per month, and was collateralized by a registered charge on the land. During 2009 the note receivable was sold for gross proceeds of $ 85,000, to a related party, resulting in a net loss of $ 23,986 (Note 16).

4. **ASSETS HELD FOR SALE**

In 2008, the Company had reclassified the net book value of its high pressure equipment, originally recorded as property, plant and equipment, to assets held for sale. The Company expects to sell this equipment in the next fiscal year for net proceeds greater than its carrying value. However, the market for such equipment is limited and specialized, and the net recoverable amount on sale cannot be readily determined. Any gain or loss on the sale of the high pressure equipment will be recorded in the period the equipment is sold, except that any impairment, if reasonably determinable, would be recorded in the period such impairment is determined.

Also at December 31, 2009, the Company has a cold storage plant and related five acres of land available for sale. The plant and land have nominal carrying values.

5. **PROPERTY, PLANT AND EQUIPMENT**

	2009		
	Cost	Accumulated amortization	Net
Land	$ 181,082	$ –	$ 181,082
Water rights	8,088	–	8,088
Mining Equipment	76,074	21,301	54,773
Building and equipment	587,122	551,336	35,786
Computer equipment	4,585	4,011	574
Vehicles	26,166	21,641	4,525
	$ 883,117	$ 598,289	$ 284,828

	2008		
	Cost	Accumulated amortization	Net
Land	$ 181,082	$ –	$ 181,082
Water rights	8,581	–	8,581
Mining Equipment	76,074	7,607	68,467
Building and equipment	582,167	550,644	31,523
Computer equipment	4,585	3,438	1,147
Vehicles	75,004	69,347	5,657
	$ 927,493	$ 631,036	$ 296,457

6. **MINERAL PROPERTIES**

	2009	2008
Lovitt Mineral Property - Washington, U.S.A.	$ 1	$ 1
Golden King and MacBeth Claims - Washington, U.S.A.	1	1
Deferred exploration costs	240,800	88,463
	$ 240,802	$ 88,465

The Lovitt Mineral Property represents a 100% undivided interest in 200 acres and a 70% undivided interest in 350 acres with mineral rights. The Golden King and MacBeth claims represent a 100% undivided interest in 40 acres with mineral rights. The mineral interest is subject to a 5% net smelter royalty, payable to former minority investor of Lovitt Mining Co., Inc. as an incentive to a buyout concluded in 2004.

Mineral properties include nominal acquisition costs as they were written down in prior years. In 2009, the Company incurred $ 152,337 (2008 - $ 88,463) of exploration costs which includes $78,000 related to the mineral lease agreement noted below.

During 2009, the Company's wholly-owned subsidiary Gold King Inc., entered into a lease agreement with B.J. Matthews, Trustee of the B.J. Matthews and Geneva G. Matthews Trust for the exclusive right to explore, mine, and produce on a 155 acre property located in Chelan County, in the State of Washington. In addition to an initial payment of $ 25,000 and the issuance of 60,000 common shares of the Company upon signing the agreement, the agreement also requires the following payments:

$ 15,000 on November 1, 2011
$ 20,000 on November 1, 2012
$ 30,000 on November 1, 2013

Subsequent to November 1, 2013, the lease will continue for an additional 15 years with an annual $ 30,000 base payment required, increasing each subsequent year based on the increase in the Consumer Price Index. In addition, the Company is required to pay a production royalty of 3% of the net returns from the sale or disposition of minerals extracted from the property. The Company also has an option to purchase the fee title to the property which expires on April 30, 2017.

7. **NOTE PAYABLE**

The Company has a promissory note payable of CDN $ 5,737 (2008 – CDN $ 5,737) to a shareholder of the Company. The note is non-interest bearing, not collateralized, and has no fixed terms of repayment.

8. **LONG-TERM DEBT**	2009	2008
Loan from a director of the Company – no required monthly payments; bearing interest at rates between 8% and 10%, not collateralized, due April 30, 2009, subsequently due on demand	$ 56,800	$ 56,800
Loan from a director of the Company and his immediate family – no required monthly payments; interest calculated at 8% per annum; not collateralized, due April 30, 2009, subsequently due on demand	160,155	103,144
Loan from corporation controlled by a director of the Company - no required monthly payments; interest calculated at 8% per annum; not collateralized, due April 30, 2009, subsequently due on demand	100,000	100,000
Loan from corporation controlled by a director of the Company – no required monthly payments; interest calculated at 8% per annum; collateralized by a pledge of all the Company's assets excluding mineral rights, due April 30, 2009, subsequently extended to July 1, 2011	510,000	510,000
Loan from a corporation controlled by a director of the Company – no required monthly payments; interest calculated at 6% per annum; not collateralized, due April 30, 2009, subsequently due on demand	65,000	65,000
Loan – requiring minimum monthly payments of $ 2,600 representing interest only, calculated at 12% per annum; collateralized by a pledge of the Company's land, excluding the mineral rights and the plant; due July 1, 2009; subsequently extended to June 1, 2011	410,000	260,000
Promissory note – payable to a vendor; repayable in monthly instalments of $ 8,096 including interest calculated at 10.25% per annum; due September 1, 2009; subsequently due on demand	9,464	24,571
Truck loan – requiring monthly instalments of $ 644 including interest calculated at 2.9% per annum; collateralized by a pledge of the vehicle; repaid during 2009	–	5,638
Truck loan – requiring monthly instalments of $ 350; does not bear interest; collateralized by a pledge of the vehicle; due October 14, 2010	3,502	8,125
	1,314,921	1,133,278
Less: Current portion	(394,921)	359,353
	$ 920,000	$ 773,925

The Company is required to make the following principal payments in each of the next two fiscal years ending:

December 31, 2010	$ 394,921
December 31, 2011	920,000
	$ 1,314,921

9. **SHARE CAPITAL**

Authorized - unlimited number of common shares without par value.

Issued

	Number	$
Balance, as at December 31, 2007	4,102,051	2,298,148
Issued during the year		
For cash		
private placements	850,000	127,500
exercise of warrants	180,000	22,268
Less share issue costs	–	(12,293)
Balance, as at December 31, 2008	5,132,051	2,435,623
Issued during the year		
For cash		
exercise of warrants	20,000	2,736
For mineral property expenses related to its mineral lease	60,000	53,751
Less share issue costs	–	–
Balance, as at December 31, 2009	5,212,051	2,492,110

In December 2009, the Company issued 60,000 units at a price of CDN $ 0.95 per unit to the B.J Matthews Trust in connection with its mineral lease agreement (Note 7).

During 2009, 20,000 warrants were exercised at a price of CDN $ 0.15 per warrant for gross proceeds of $ 2,736 (CDN $ 3,000).

Details of share purchase warrant transactions during the years ended December 31, 2009 and 2008 are as follows:

	Number
Outstanding as at December 2007	–
Issued	850,000
Exercised	(180,000)
Expired	–
Outstanding as at December 2008	670,000
Issued	–
Exercised	(20,000)
Expired	(650,000)
Outstanding, as at December 31, 2009	–

10. **GAIN ON SALE OF LAND**

During 2008, the Company sold approximately 20 acres of orchard land for proceeds of $ 160,000 which after selling expenses and a nominal value for land of $ 15,714, generated a gain of $ 144,286. A portion of the proceeds from the sale of land in 2008 included an $110,000 note receivable, having a three year term bearing interest at 7.25% per annum (Note 3). There were no land sales in 2009.

11. **GAIN ON SALE OF WATER RIGHTS**

During 2009, the Company sold 4 units (2008 - Nil) of water rights, related to land previously sold, for gross proceeds of $ 12,000. These units had a nominal carrying value. There were no sales during 2008.

12. **GAIN ON SALE OF EQUIPMENT**

During 2009, the Company sold some farm equipment and a vehicle for gross proceeds and a net gain of $ 14,175 (2008 - $ 5,400). The farm equipment and the vehicle had a nominal carrying value.

13. **SEGMENTED INFORMATION**

As at December 31, 2009 and 2008 the Company's identifiable assets, revenue and net income (loss) in each of the geographic areas is as follows:

	2009		
	Identifiable assets	Revenue	Net income (loss)
United States	$ 887,322	$ –	$ (351,142)
Canada	5,065	–	–
	$ 892,387	$ –	$ (351,142)

	2008		
	Identifiable assets	Revenue	Net income
United States	$ 850,915	$ –	$ (192,434)
Canada	1,774	–	–
	$ 852,689	$ –	$ (192,434)

14. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

a) **Fair value**

The fair value of financial instruments at December 31, 2009 and 2008 is summarized as follows:

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Held for trading				
Cash	$ 3,544	$ 3,544	$ 4,417	$ 4,417
Loans and receivables				
Patronage dividends receivable	19,845	19,845	19,845	19,845
Amount receivable	8,000	8,000	–	–
Loan receivable	–	–	109,905	109,905
Financial Liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	$ 134,166	$ 134,166	$ 51,020	$ 51,020
Accrued interest payable	269,478	269,478	200,393	200,393
Note payable	5,459	5,459	4,710	4,710
Long-term debt (+)	422,966	422,966	298,334	298,334
Long-term debt to related parties	891,955	*	834,944	*

+ Based on management's assessment, the carrying value of long-term debt reasonably approximates its fair value.
* The fair value of related party loans is not disclosed as the fair values are not reliably measureable due to the lack of readily available market comparable data.

14. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** - continued

b) **Financial risk management**
The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. Cash and amounts receivable are exposed to credit risk due to the potential for counterparties to default on their contractual obligations. The maximum potential loss on all financial instruments is equal to the carrying amount of those items. The Company limits its exposure to credit loss by placing its cash with major financial instruments.

Liquidity risk
The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash, in addition to listing assets that it can sell. The Company intends also to raise additional financing through the issuance of capital and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results.

Interest rate risk
Loan receivable and long-term debt bear interest at fixed rates, or do not bear interest, and therefore do not expose the Company to interest rate cash flow risk.

Foreign exchange risk
The Company is subject to foreign exchange rate risk as the Company incurs transactions and has assets and liabilities denominated in Canadian dollars, whereas the Company's functional and reporting currency is the U.S. dollar.

Price risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's portfolio of properties has exposure to predominantly Gold. The price of this commodity will affect the value of the Company and the potential value of its properties.

15. **INCOME TAXES**

The Company has non-capital losses for Canadian income tax purposes of approximately $ 237,000 (CDN $ 258,000) available to reduce future years' taxable income. The benefit of these non-capital losses has not been recognized in the Company's accounts as there is no reasonable assurance such benefit will be realized. If unused, the non-capital losses become no longer available to reduce taxable income after the end of the following taxation years:

2010	$	32,000
2014		42,000
2015		43,000
2026		69,000
2027		8,000
2029		43,000
	$	237,000

The Company has Canadian resource deductions available in excess of amounts expensed for accounting purposes of approximately $ 284,000 (CDN $ 369,000). These available deductions have no expiry date and can be offset against future taxable income. The potential tax benefit of these amounts has not been reflected in these accounts.

The Company also has net operating loss carryforwards for tax purposes of approximately $ 1,200,000 (2008 – $ 950,000) available for deduction against future taxable income in the United States.

The significant components of the Company's future income taxes are as follows as at December 31, 2009 and 2008:

		2009		2008
Future income tax assets				
Benefit of loss carryforwards	$	395,000	$	324,000
Benefit of resources tax pool		85,000		88,000
		480,000		412,000
Less: Valuation allowance		(480,000)		(412,000)
	$	–	$	–

15. **INCOME TAXES** - continued

The following is a reconciliation of the statutory combined federal and provincial income taxes to the effective income taxes:

	2009	2008
Income taxes (recovery) at statutory income taxes rates (2009 – 25.00%, 2008 – 22.82%)	$	$
Addition to (application of) loss carryforwards	(88,000)	(44,000)
Non-deductible operating expenses for income tax purposes	88,000	44,000
	$ –	$ –

16. **RELATED PARTY TRANSACTIONS**

Unless otherwise stated, related party transactions are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

During 2009, the Company was charged $ 77,864 (2008 - $ 78,011) for accounting, consulting, management services and casual labour provided by directors and officers of the Company, and by corporations owned by directors and officers and members of their immediate families. Also, during 2009, the Company was charged $ 67,874 (2008 - $ 64,210) for interest on the outstanding loans from related parties. As at December 31, 2009, accounts payable includes $ 119,090 (2008 - $ 113,924), and accrued interest payable includes $ 263,347 (2008 - $ 195,975) due to a director, a corporation owned by an officer of the Company and members of his immediate family. During 2009, the Company sold a note receivable to a corporation owned by a director of the Company for $85,000.

See Note 8.

17. **SUPPLEMENTAL CASH FLOW INFORMATION**

During 2009, the Company paid interest of $ 53,947 (2008 - $ 123,387).

Also during 2009, the Company issued shares with a fair market value of $ 53,751 which has been capitalized to mineral properties related to its mineral lease agreement (Note 9).

During 2008, the Company accepted a loan receivable of $ 110,000 as partial consideration on the sale of land.

18. **CAPITAL MANAGEMENT**

The Company manages as capital its share capital and long-term debt. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds operations and exploration activities from the issuance of shares generally through private placements, obtaining loans and selling its assets held for sale.

There were no changes to the Company's approach to capital management during 2009. The Company is not subject to externally imposed capital requirements.

19. **SUBSEQUENT EVENTS**

Subsequent to December 31, 2009 on April 14, 2010, the Company completed a private placement of 1,200,000 units at CDN $ 0.45 per unit for gross proceeds of CDN $ 540,000. Each unit consisted of one common share and one non-transferable share purchase warrant with one full warrant entitling the share holder to purchase one additional common share at a price of CDN $ 0.50 for a period of one year.