

**NOTICE**

Attached are the unaudited interim consolidated financial statements of Rockgate Capital Corp. (the "Corporation") for the six months ended December 31, 2009. The Corporation's auditor has not reviewed the attached financial statements.

**ROCKGATE CAPITAL CORP.**

"signed"  
Douglas E. Ford  
Director

February 15, 2010

**Consolidated Balance Sheets**

Prepared by management (unaudited)

	<u>December 31, 2009</u>	<u>June 30, 2009</u>
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	6,458,332	3,614,821
Marketable securities – Note 5	-	95,000
GST receivable	27,201	46,890
Receivables	112,443	186,458
Prepaid expenses and other	83,543	19,081
	<u>6,681,519</u>	<u>3,962,250</u>
Exploration advances – Note 15	289,025	319,825
Mineral properties – Notes 3, 4 and 7	4,626,231	4,652,999
Loan receivable from Northrock – Note 16	100,000	100,000
Equipment – Note 6	105,094	126,570
	<u>11,801,869</u>	<u>9,161,644</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable and accrued liabilities	400,853	1,090,334
	<u>400,853</u>	<u>1,090,334</u>
Shareholders' equity		
Share capital – Note 3, 4, 7 and 8	27,282,807	22,100,549
Contributed surplus – Note 9	4,351,452	3,535,157
Accumulated other comprehensive income	-	22,500
Deficit	(20,233,243)	(17,586,896)
	<u>11,401,016</u>	<u>8,071,310</u>
<b>Total liabilities and shareholders' equity</b>	<u><u>11,801,869</u></u>	<u><u>9,161,644</u></u>

Approved by the Directors:

"Signed"

Karl Kottmeier

"Signed"

Douglas E. Ford

Nature of Operations and Ability to Continue as a Going Concern – Note 1  
 Commitments – Notes 7 and 8  
 Subsequent Events – Note 17

**Consolidated Statements of Operations and Comprehensive Loss**

Prepared by management (unaudited)

	Three months ended December 31		Six months ended December 31	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Expenses</b>				
Amortization	10,738	1,772	21,476	3,545
Exploration and drilling – Notes 7 and 10	825,140	(18,002)	1,239,697	(405,407)
Office, telephone and rent – Note 10	105,575	33,041	199,050	67,992
Management services – Note 10	120,000	90,000	210,000	180,000
Professional fees	24,675	170,800	47,844	195,466
Stock based compensation – Note 8	-	-	816,295	-
Transfer agent and regulatory fees	10,676	8,536	13,056	27,604
Insurance	13,271	-	13,271	21,475
Directors' fees	14,000	-	14,000	-
	<u>1,124,075</u>	<u>286,147</u>	<u>2,574,689</u>	<u>90,675</u>
<b>Income (Loss) from operations</b>	<b>(1,124,075)</b>	<b>(286,147)</b>	<b>(2,574,689)</b>	<b>(90,675)</b>
<b>Other items</b>				
Loss on sale of marketable securities	-	-	(14,424)	-
Exploration management fee income	34,447	-	34,447	-
Interest income	6,616	38,936	15,683	64,252
Gain (loss) on foreign exchange	(31,766)	123,642	(107,364)	163,619
	<u>(1,114,778)</u>	<u>(123,569)</u>	<u>(2,646,347)</u>	<u>137,196</u>
<b>Income (Loss) from continuing operations</b>	<b>(1,114,778)</b>	<b>(123,569)</b>	<b>(2,646,347)</b>	<b>137,196</b>
Loss from discontinued operations – Note 4	-	-	-	(1,425,271)
	<u>(1,114,778)</u>	<u>(123,569)</u>	<u>(2,646,347)</u>	<u>(1,288,075)</u>
<b>Net loss for the period</b>	<b>(1,114,778)</b>	<b>(123,569)</b>	<b>(2,646,347)</b>	<b>(1,288,075)</b>
<b>Earnings (Loss) per share</b>				
Continuing operations – basic and diluted	(0.02)	(0.00)	(0.04)	0.00
Discontinued operations – basic and diluted	-	-	-	(0.04)
	<u>(0.02)</u>	<u>(0.00)</u>	<u>(0.04)</u>	<u>(0.03)</u>
<b>Net loss per share - basic and diluted</b>	<b>(0.02)</b>	<b>(0.00)</b>	<b>(0.04)</b>	<b>(0.03)</b>
<b>Comprehensive loss</b>				
Net loss	(1,114,778)	(123,569)	(2,646,347)	(1,288,075)
Realized loss on sale of marketable securities	-	-	(22,500)	-
	<u>(1,114,778)</u>	<u>(123,569)</u>	<u>(2,668,847)</u>	<u>(1,288,075)</u>
<b>Comprehensive loss for the period</b>	<b>(1,114,778)</b>	<b>(123,569)</b>	<b>(2,668,847)</b>	<b>(1,288,075)</b>
<b>Weighted average number of shares outstanding</b>	<b>67,350,158</b>	<b>41,004,800</b>	<b>65,490,255</b>	<b>40,581,900</b>

**Consolidated Statements of Deficit and Accumulated Other Comprehensive Income**  
Prepared by management (unaudited)

	Three months ended December 31		Six months ended December 31	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Deficit</b>				
Deficit, beginning of period	(19,118,465)	(15,269,959)	(17,586,896)	(11,348,144)
Net loss	(1,114,778)	(123,569)	(2,646,347)	(1,288,075)
Dividend – Note 4	-	-	-	(2,757,309)
Deficit, end of period	(20,233,243)	(15,393,528)	(20,233,243)	(15,393,528)
<b>Accumulated other comprehensive income</b>				
Balance, beginning of period	-	-	22,500	-
Realized loss on sale of marketable securities	-	-	(22,500)	-
Balance, end of period	-	-	-	-
<b>Deficit and accumulated other comprehensive income</b>	(20,233,243)	(15,393,528)	(20,233,243)	(15,393,528)

**Consolidated Statements of Cash Flows**  
 Prepared by management (unaudited)

	Three months ended December 31		Six months ended December 31	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Operating Activities</b>				
Net income (loss) for the period from continuing operations	(1,114,778)	(123,569)	(2,646,347)	137,196
Items not involving cash:				
Amortization	10,738	1,772	21,476	3,545
Non-cash exploration recovery	-	-	-	(460,992)
Gain on sale of marketable securities	-	-	14,424	-
Stock based compensation	-	-	816,295	-
Changes in non-cash working capital items:				
Accounts receivable	(116,883)	(25,792)	93,704	498,169
Prepaid expenses and other	(35,319)	(29,399)	(64,462)	(38,823)
Accounts payable and accrued liabilities	(119,880)	208,522	(689,481)	180,899
Cash from (used in) continuing operations	(1,376,122)	31,534	(2,454,391)	319,994
Cash used in discontinued operations	-	(378,000)	-	(916,749)
Cash used in operating activities	(1,376,122)	(346,466)	(2,454,391)	(596,755)
<b>Investing Activities</b>				
Northrock cash distributed to shareholders	-	-	-	(2,841,902)
Exploration advances	5,417	(42,295)	30,800	(54,532)
Proceeds from sale of marketable securities	-	-	58,076	-
Proceeds from mineral property option payment	-	-	26,768	-
Cash from (used in) investing activities	5,417	(42,295)	115,644	(2,896,434)
<b>Financing Activities</b>				
Issuance of common shares, net	-	-	5,182,258	4,247,008
Cash provided by financing activities	-	-	5,182,258	4,247,008
<b>Increase (decrease) in cash and cash equivalents during the period</b>	<b>(1,370,705)</b>	<b>(386,761)</b>	<b>2,843,511</b>	<b>753,819</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>7,829,037</b>	<b>5,745,879</b>	<b>3,614,821</b>	<b>4,603,299</b>
<b>Cash and cash equivalents, end of period</b>	<b>6,458,332</b>	<b>5,357,118</b>	<b>6,458,332</b>	<b>5,357,118</b>
<b>Supplemental Disclosures:</b>				
Interest paid	-	-	-	-
Income taxes paid	-	-	-	-

Supplemental non-cash transactions for investing and financing activities – Note 14

**Notes to the Consolidated Financial Statements**December 31, 2009 and 2008

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**1. Nature of Operations and Ability to Continue as a Going Concern**

Rockgate Capital Corp. (the "Company") was incorporated in the Province of British Columbia on November 23, 2004 under the Business Corporations Act of British Columbia. The Company was classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4 until April 25, 2006.

Further to Note 7(b) hereto, effective April 25, 2006 the Company completed an agreement with Oro Gold Resources Ltd. ("Oro Gold") pursuant to which the Company was granted an option to earn up to a 65% undivided interest in the Ixtapan gold property, located 120 kilometres west of Mexico City, Mexico. During the year ended June 30, 2007 the Company met its obligations under the related option agreement and now owns a 51% interest in the Ixtapan gold property.

The acquisition of an interest in the Ixtapan gold property and the private placement constituted the Company's qualifying transaction pursuant to Policy 2.4 of the Exchange.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

The ability of the Company to continue to operate as a going concern is dependent on its ability to ultimately operate its business at a profit. To date, the Company has not generated any revenues from operations and will require additional funds to meet its obligations and the costs of its operations. As a result, further losses are anticipated prior to the generation of any profits. As at December 31, 2009 the Company had accumulated a deficit of \$20,343,702 since inception.

The Company's future capital requirements will depend on many factors, including the costs of exploring its mineral properties, operating costs, competitive environment and global market conditions. The Company's anticipated operating losses and increasing working capital requirements will require that it obtain additional capital to continue operations.

The Company will depend almost exclusively on outside capital. Such outside capital will include the sale of additional shares. There can be no assurance that capital will be available as necessary to meet these continuing exploration and development costs or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in significant dilution to the equity interests of its current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected, thus giving rise to doubt about the Company's ability to continue as a going concern. The financial statements do not reflect adjustments to the carrying values of assets, liabilities or reported results should the Company be unable to continue as a going concern.

**2. Significant Accounting Policies**

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. The financial statements have, in management's opinion, been properly prepared using careful judgment within the framework of the significant accounting policies summarized below.

## 2. Significant Accounting Policies – (cont'd)

### a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Minera Rockgate de México, S.A. de C.V., an inactive México company and Rockgate Mali SARL, the accounts of Delta Exploration Inc. and its wholly-owned subsidiaries Bamako Metal Inc. and Societe Delta Exploration Mali SARL (“Delta Mali”) and their results of operations and cash flows for the period from January 30, 2009 (date of acquisition) to date. All significant intercompany transactions have been eliminated.

As described in Note 4, during the year ended June 30, 2009 the Company disposed of its interest in Northrock Resources Inc. (“Northrock”) by way of a spin-out of the Company’s interest in Northrock to the shareholders of the Company. The results of operations and cash flows of Northrock for all periods presented have been reported as discontinued operations.

### b) Cash and cash equivalents

Cash and cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a maturity of 3 months or less at inception of the investment.

### c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates.

The amount recorded for amortization of equipment, stock-based compensation, marketable securities and valuation of mineral properties are based on estimates of futures costs, market conditions and other relevant assumptions. By their nature, these estimates are subject to uncertainty and the effect on the financial statements of changes and estimates in future periods could be significant.

### d) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated based on the declining balance method with the following rates:

Furniture & equipment	20%
Computer equipment	30%
Computer software	100%
Vehicles	30%

The Company takes one-half of the amortization in the year of acquisition.

### e) 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 loss per share reflects the potential dilution that could occur if potentially dilutive securities were 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. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred.

For the period ended December 31, 2009, potentially dilutive common shares relating to options and warrants outstanding totaling 14,852,111 (2008 – 5,846,100) were not included in the computation of loss per share because the effect was anti-dilutive. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

## 2. Significant Accounting Policies – (cont'd)

### f) Mineral properties

The Company defers the cost of acquiring and maintaining its interest in mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Exploration and development expenditures are expensed as incurred until such time as mineral reserves can be established, after which such costs will be accounted for in the same manner as acquisition costs. 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.

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 the 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 costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

### g) Share issuance costs

All professional fees and commissions incurred directly with the issue of the Company's shares are charged directly to share capital

### h) Stock based compensation

The Company accounts for options granted under its fixed stock option plan using a fair value based method of accounting for stock-based compensation. The standard requires that all stock-based awards be measured and recognized in these consolidated financial statements using a fair value based method such as the Black-Scholes option pricing model. The fair value of unvested 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. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

The Company uses the Black-Scholes option pricing model to estimate the fair value of share purchase options at the date of grant. Option valuation models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

### i) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the tax and accounting basis of assets and liabilities. The future tax assets or liabilities are calculated using the substantially enacted tax rates for the period in which the differences are expected to be realized or settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

## 2. Significant Accounting Policies – (cont'd)

### j) Flow-through Shares

For all flow-through shares issued, 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) Foreign currency translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in statements of operations.

Minera Rockgate de México, S.A. de C.V., Rockgate Mali SARL, Delta and its wholly-owned subsidiaries Bamako Metal Inc. and Delta Mali are considered integrated foreign operations therefore monetary items are translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the transaction date. Foreign exchange gains and losses are included in statements of operations in the current period.

### l) Asset retirement obligation

The fair value of a liability for an asset retirement obligation, such as site reclamation costs, is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The Company is required to record the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increase the carrying value of the related assets for that amount. 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 the Statement of Operations. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and asset retirement obligations. As at December 31 and June 30, 2009, the Company has determined that there are no asset retirement obligations.

### m) Long-lived assets and impairment

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on management's estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management and are measured at the difference between the fair value of the long-lived asset and its carrying amount.

Assets with indefinite or indeterminable lives are not amortized and are reviewed for impairment on a reporting period basis using fair value determinations through management's estimate of recoverable value.

## 2. Significant Accounting Policies – (cont'd)

### n) Financial Instrument- recognition and measurement

All financial instruments are measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available-for-sale, held to maturity, loans and receivables, or other liabilities.

Financial assets and liabilities classified as held for trading are measured at fair value, with gains and losses recognized in net earnings.

Financial assets classified as held to maturity, loans and receivables and financial liabilities (other than those held for trading) are measured at amortized cost using the effective interest method of amortization.

Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available for sale that do not have a quoted market price in an active market are measured at cost.

The Company classified its financial instruments as follows:

- Cash and cash equivalents are classified as held for trading.
- Marketable securities are classified as available-for-sale
- Loans receivable are classified as loans and receivables
- Accounts payable and accrued liabilities, and note payable are classified as other liabilities.

### o) Comprehensive Income (loss)

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income (loss) includes both net earnings (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes holding gains and losses on available-for-sale investments, gains and losses on certain derivative financial instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings (loss) until realized.

### p) Hedges

This standard establishes standards for how hedge accounting may be applied. The Company currently does not have any hedges in place, and therefore the adoption of this standard has no impact on its financial statements.

### q) Going-concern

In June 2007, the CICA amended Handbook Section 1400, General Standards of Financial Statement Presentation, which requires management to make an assessment of a company's ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the Company is not considered a going-concern. Effective July 1, 2008, the Company adopted this Section and the adoption of this Section did not have a significant impact on the financial statements.

### r) Capital Disclosures

This Section which specifies the disclosure of information that enables users of an entity's financial statements to evaluate its objectives, policies and processes for managing capital such as qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences on non-compliance. Effective July 1, 2008, the Company has adopted this standard and the Company has included the additional capital disclosures in Note 12.

## 2. Significant Accounting Policies – (cont'd)

### s) Financial Instruments Disclosures (Section 3862) and Financial Instruments Presentation (Section 3863)

These sections replace Section 3861, Financial Instruments Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new Sections will place increased emphasis on disclosure about the nature and extent of risk arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 13 to these consolidated financial statements.

### t) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of services or goods is recognized when all the following conditions are satisfied:

- A persuasive evidence of a sales agreement exists;
- Title and risk is transferred to the customer;
- Collection is reasonably assured; and
- The price is reasonably determinable.

### u) Recent Accounting Pronouncements

#### Business Combinations

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests," which replace Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The adoption of this standard is not expected to have a material effect on the Company's financial statements.

#### Goodwill and Intangible Assets

In February 2008, the CICA Accounting Standards Board ("CICA") issued Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual financial statements for its fiscal year commencing on July 1, 2009. Effective July 1, 2009, the Company adopted this Section and the adoption of this Section did not have a significant impact on the financial statements.

#### International Financial Reporting Standards ("IFRS")

In February 2008, the CICA confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. Management is currently assessing the impact of adopting IFRS and it has not yet determined its effect on the Company's financial statements.

### 3. Acquisition of Delta Exploration Inc. ("Delta")

On November 7, 2008, the Company entered into a binding letter agreement with Delta whereby the Company agreed to acquire all of the issued and outstanding common shares of Delta

Pursuant to a special resolution passed by the shareholders of Delta on January 15, 2009, and an order of the Supreme Court of British Columbia granted on January 16, 2009, Delta and Rockgate Capital Corp. completed a plan of arrangement under Section 288 of the Company Act (British Columbia). The acquisition was completed on January 30, 2009, and the Company issued a total of 13,873,136 shares of the Company to acquire all of the outstanding common shares of Delta. The Company also issued 1,170,000 options and 846,687 warrants to replace Delta's options and warrants.

Effective January 30, 2009, Delta became a wholly-owned subsidiary of Rockgate. Delta's wholly-owned subsidiaries Bamako Metal Inc. and Societe Delta Exploration Mali SARL ("Delta Mali") became indirect subsidiaries of the Company on January 31, 2009 as well.

The fair value of the assets acquired and liabilities assumed effective January 30, 2009 are as follows:

	<b>Amount</b>
	<b>\$</b>
Cash and cash equivalents	288,689
Other current assets	50,558
Mineral properties	4,152,004
Equipment	130,131
Accounts payable and accrued liabilities	<u>(116,085)</u>
	<u>4,505,297</u>
Consideration paid:	
13,873,136 common shares at \$0.29 per share	4,023,209
Fair value of warrants issued	-
Fair value of options issued	68,000
Transaction costs	<u>414,088</u>
	<u>4,505,297</u>

The quoted market value of the Company's common shares as at the acquisition date was used to measure the fair value of the common shares issued.

The fair value of the options was \$68,000 and was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	0.80% - 1.88%
Expected life	1.0 – 3.6 years
Expected volatility	64% - 157%
Expected dividend yield	Nil

### 3. Acquisition of Delta Exploration Inc. ("Delta") – (cont'd)

The fair value of the warrants was negligible and was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1.23%
Expected life	0.3 years
Expected volatility	109%
Expected dividend yield	Nil

The results of operations and cash flows of Delta from January 30, 2009 to date have been included in these consolidated financial statements.

### 4. Spin-out of Northrock Resources Inc.

In March 2008 the Company formalized a plan for reorganization of its mineral properties. The reorganization involved (i) the spin-off of all of the Company's Canadian mineral properties and a portion of the Company's cash into its wholly-owned subsidiary Northrock and (ii) the distribution of the Company's interest in Northrock on a proportionate basis to the Company's shareholders, via a plan of arrangement (the "Northrock Arrangement") to be implemented under the *Business Corporations Act* (British Columbia). In connection with this reorganization, the Company transferred its Canadian mineral property assets to Northrock effective May 1, 2008.

On July 31, 2008, at the special general meeting of shareholders of the Company, the shareholders approved the Northrock Arrangement. On August 6, 2008, the Northrock Arrangement was approved by the Supreme Court of British Columbia. On August 29, 2008 the Northrock Arrangement was effected. Under the Northrock Arrangement, the share capital of the Company was altered to create a new class of Class A common shares, and every Company shareholder exchanged their existing common shares of the Company on the basis of one new Class A common share for each common share of the Company held, and one unit of Northrock for every three common shares of the Company held on the effective date. Each Northrock unit was composed of one Northrock common share and one transferable warrant to purchase an additional common share of Northrock at an exercise price of \$0.75 expiring September 30, 2010. Outstanding share purchase warrants of the Company will be entitled to be converted into the Company's shares and Northrock units on the basis of the same exchange ratio with 25% of the warrant proceeds being forwarded to Northrock in exchange for Northrock units on behalf of the warrant holder.

Following shareholder approval of the Northrock Arrangement and its completion on August 29, 2008, The Company distributed one unit of Northrock for each three common shares of the Company held by the Company's shareholders.

The carrying values of the Northrock net assets transferred to the Company's shareholders were as follows:

	August 29, 2008	June 30, 2008
	\$	\$
Cash and cash equivalents	2,841,902	3,380,651
Other current assets	85,429	117,777
Mineral properties	1,681,699	1,681,699
Accounts payable and accrued liabilities	(1,064,600)	(232,475)
Payable due to Rockgate Capital Corp.	(100,000)	(100,000)
Note payable	(1,090,922)	(1,068,873)
	<hr/>	<hr/>
Northrock net assets	2,353,508	3,778,779

4. Spin-out of Northrock Resources Inc. – (cont'd)

The net book value of the Northrock assets distributed to the shareholders of the Company has been recorded as a dividend in the year totaling \$2,353,508.

For all periods presented, the consolidated results of the Company present the results of Northrock as discontinued operations and the cash flows from Northrock have been disclosed separately as cash flows from discontinued operations.

5. Marketable Securities

Further to Note 7(d) as at June 30, 2009, the Company held 500,000 units of Appleton Exploration Inc. ("Appleton"), an unrelated company. Each unit consisted of one common share of Appleton and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of Appleton at \$0.27 until April 1, 2011. During the period, the Company sold all 500,000 Appleton shares for total proceeds of \$58,076. The Company continues to hold the Appleton 500,000 warrants which have \$nil carrying value as at December 31 and June 30, 2009.

6. Equipment**As at December 31, 2009**

	Cost \$	Accumulated Amortization \$	Net Carrying Value \$
Furniture & equipment	14,130	6,159	7,971
Computer equipment	34,745	19,028	15,717
Computer software	17,914	13,395	4,519
Vehicles	190,090	113,203	76,887
	256,879	151,785	105,094

**As at June 30, 2009**

	Cost \$	Accumulated Amortization \$	Net Carrying Value \$
Furniture & equipment	9,743	812	8,931
Computer equipment	31,505	12,954	18,551
Computer software	11,804	5,453	6,351
Vehicles	105,985	13,248	92,737
	159,037	32,467	126,570

**As at June 30, 2008**

	Cost \$	Accumulated Amortization \$	Net Carrying Value \$
Computer equipment	27,988	5,881	22,107
Computer software	916	458	458
	28,904	6,339	22,565

7. Mineral Properties

Mineral Property acquisition costs are reflected on the consolidated balance sheets as follows:

	June 30, 2008 \$	Additions during the year \$	Reductions during the year \$	June 30, 2009 \$	Reductions during the period \$	December 31, 2009 \$
<b>Falea Uranium-Silver-Copper Property, Mali</b>						
Acquisition costs - shares	552,000	-	-	552,000	-	552,000
Delta acquisition - allocation (Note 3)	-	3,771,112	-	3,771,112	-	3,771,112
	<b>552,000</b>	<b>3,771,112</b>	-	<b>4,323,112</b>	-	<b>4,323,112</b>
<b>Ixtapan Gold Property, Mexico</b>						
Acquisition costs - shares	40,000	-	-	40,000	-	40,000
	<b>40,000</b>	-	-	<b>40,000</b>	-	<b>40,000</b>
<b>Manalo, Mali</b>						
Delta acquisition - allocation (Note 3)	-	200,000	-	200,000	-	200,000
Option payments received from Appleton - cash	-	-	(31,023)	(31,023)	(26,768)	(57,791)
Option payments received from Appleton – units at carrying value	-	-	(72,500)	(72,500)	-	(72,500)
	-	<b>200,000</b>	<b>(103,523)</b>	<b>96,477</b>	<b>(26,768)</b>	<b>69,709</b>
<b>Koninko, Mali</b>						
Delta acquisition - allocation (Note 3)	-	60,000	-	60,000	-	60,000
	-	<b>60,000</b>	-	<b>60,000</b>	-	<b>60,000</b>
<b>Telwa Gada Project, Niger</b>						
Delta acquisition - allocation (Note 3)	-	100,000	-	100,000	-	100,000
	-	<b>100,000</b>	-	<b>100,000</b>	-	<b>100,000</b>
<b>Other Properties, Mali, Guinea &amp; Niger</b>						
Acquisition costs - cash	-	12,518	-	12,518	-	12,518
Delta acquisition - allocation (Note 3)	-	20,892	-	20,892	-	20,892
	-	<b>33,410</b>	-	<b>33,410</b>	-	<b>33,410</b>

7. Mineral Properties – (cont'd)

	June 30, 2008	Additions during the period	Disposals during the period	June 30, 2009	Reductions during the period	December 31, 2009
	\$	\$	\$	\$	\$	\$
<b>Bathurst Property, Canada</b>						
Acquisition costs - cash	540,000	-	-	540,000	-	-
Acquisition costs - debt obligation	1,056,199	-	-	1,056,199	-	-
Spin-out to Northrock (Note 4)	-	-	(1,596,199)	(1,596,199)	-	-
	<b>1,596,199</b>	-	<b>(1,596,199)</b>	-	-	-
<b>Turner Lake Property, Canada</b>						
Acquisition costs - shares	85,500	-	-	85,500	-	-
Spin-out to Northrock (Note 4)	-	-	(85,500)	(85,500)	-	-
	<b>85,500</b>	-	<b>(85,500)</b>	-	-	-
<b>Totals</b>	<b>2,273,699</b>	<b>4,164,522</b>	<b>(1,785,222)</b>	<b>4,652,999</b>	<b>(26,768)</b>	<b>4,626,231</b>

Expenditures on exploration and drilling can be broken down as follows:

	<b>Exploration and Drilling</b>		
	Six months ended Dec 30, 2009	Year ended June 30, 2009	Year ended June 30, 2008
	\$	\$	\$
Falea	<b>1,043,490</b>	1,731,830	4,906,203
Falea - recovery	-	(460,992)*	-
Ixtapan	-	-	-
Koninko	-	404	-
Manalo	<b>39,301</b>	39,920	-
Telwa-Gada	<b>133,090</b>	207,668	-
Other	<b>23,816</b>	65,034	-
Total for the period	<b>\$1,239,697</b>	\$1,583,864	\$4,906,203

\* Pursuant to a settlement agreement with Delta, Delta agreed to settle all legal proceedings (including the outstanding arbitration with respect to the Falea property) against the Company. The Company was required to pay \$150,000 to Delta as a final settlement of the claims and Delta released the Company and certain related persons from all claims with respect to matters which existed or occurred on or prior to May 31, 2008. As a result of this settlement, during the year ended June 30, 2009, the Company recorded a recovery of \$460,992 which was offset against exploration expenses during the year.

7. Mineral Properties – (cont'd)

a) **Falea Uranium-Silver-Copper Property** - see Note 3

On November 29, 2006 the Company entered into an option agreement to earn a 60% interest in the Falea uranium-silver-copper property in southwestern Mali, West Africa, from Delta Explorations Inc. ("Delta"). The Falea property covers an area of 150 square kilometers. Under the terms of the option agreement, the Company could earn a 60% undivided interest in the property from Delta by incurring a total of \$1,500,000 in exploration expenses within two years of the date of receipt of TSX Venture Exchange approval. The Company was required to spend \$300,000 by the first anniversary date of the approval date and an additional \$1,200,000 by the second anniversary of the approval date. In addition, the Company issued 150,000 shares to Delta within five days of the approval date; and a further 200,000 shares to Delta by the first anniversary date of the approval date (issued).

During the year ended June 30, 2008, the Company exercised its option and earned its 60% interest in the property. Effective July 1, 2007 the Company became the operator of the property. As a result of the acquisition of Delta as described in Note 3, effective January 30, 2009, the Company owns a 100% interest in the Falea property.

b) **Ixtapan Gold Property**

The Company signed an arm's-length letter of intent dated January 6, 2006 with Oro Gold Resources Ltd. ("Oro Gold") pursuant to which the Company was granted an option to earn up to a 65% undivided interest in the Ixtapan gold property, located 120 kilometers west of Mexico City, Mexico. Oro Gold has agreed to cause the existing concession to be subdivided into two separate concessions to segregate the Company's interests in the property.

Under the terms of the option agreement, the Company could earn a 51% interest by issuing 100,000 common shares of the Company to Oro Gold (issued); incurring US\$200,000 in expenditures on the property by April 25, 2007 (incurred) and paying to Oro Gold a \$20,000 management fee (paid). The Company could earn an additional 9% interest (cumulative interest totaling 60%) by incurring a further US\$300,000 in expenditures on the property and by issuing a further 100,000 common shares of the Company to Oro Gold by April 25, 2008. The Company elected not to pursue this additional option interest and such options expired.

As at December 31, 2009 the Company has retained its 51% interest in the property.

c) **Bathurst Inlet and Turner Lake properties**

Effective May 1, 2008 the Company transferred all right and title to these properties to its then wholly-owned subsidiary Northrock in consideration for Units of Northrock. During the year, the Units of Northrock, were disposed of by way of spin out to the shareholders of the Company (Note 4). The carrying value of these properties was included in the amount distributed to the shareholders.

Under the terms of the original option agreement with Trade Winds Ventures Inc. ("Trade Winds"), the Company issued 250,000 shares to Trade Winds on behalf of Northrock, as Northrock decided to secure a 75% interest in the Turner Lake Gold property on March 19, 2009.

d) **Delta properties** - See Note 3

Further to the acquisition of Delta, in addition to the Falea property described above, the Company acquired a portfolio of properties and property interests as follows:

***Manalo***

On June 2, 2005, Delta Mali was granted a research license valid for a period of three years renewable twice on the Manalo mineral property interest. The license area covers 150 square kilometres. The Manalo mineral property interest is located in southwestern Mali, West Africa.

7. Mineral Properties – (cont'd)

d) **Delta properties** - See Note 3 (cont'd)

***Manalo – (cont'd)***

The Manalo research license expired on June 2, 2008. On December 31, 2008, Delta Mali was granted a new license as to 50% (75 sq km) of the original research license pursuant to the terms of the research license, and to Mali's mining code. Delta Mali has reapplied for the other 50% of the area that would have otherwise been dropped.

In February 2009 Delta granted an option to Appleton Exploration Inc. ("Appleton") whereby Appleton could earn up to a 100% interest, subject to a 2% Net Smelter Return retained by Delta, in the Manalo property (licensed and pending license) in two stages. Appleton can acquire an initial 65% interest by making cash payments of US\$25,000 on March 31, 2009 (received), US\$25,000 by September 30, 2009 (received); and by issuing 500,000 units of Appleton in April 2009 (received see Note 5), 500,000 units of Appleton by March 31, 2010 and 500,000 units of Appleton by March 2011; and by completing US\$2,500,000 in exploration over the next three years. Delta is the operator of the project and is entitled to charge an exploration management fee to Appleton equivalent to 10% of the exploration expenditures on the project.

The Appleton units consisted of one common share of Appleton and one warrant with expiry date of 24 months from date of issuance. Each warrant is exercisable at 200% of the 10-day average closing price of the shares ending on the trading day preceding the date of issuance of the units (April 2009 warrants priced at \$0.27), subject to any minimum price requirements of the TSX Venture Exchange. The first-year exploration commitment is US\$500,000. Appleton may earn the remaining 35% interest by making a one-time cash payment of \$1,500,000 to Delta. At Delta's sole discretion, Delta may elect to receive the cash payment in the equivalent value of Appleton units. Appleton must also deliver an independent feasibility study or arrange for production financing prior to March 31, 2018. Appleton also has the option to purchase one-half of the 2% net smelter return for \$1,000,000 within the first 12 months of production.

***Koninko***

By agreement dated January 22, 2004, Delta Mali acquired a 100% interest in the Koninko mineral property interest located in southwestern Mali, West Africa.

In consideration, Delta agreed to pay \$60,583 (US\$55,000) (paid); pay the sum of US\$0.50 per ounce of gold contained in reserves established in a feasibility study conforming to standards laid out in National Instrument 43-101; and upon production, to pay an additional US\$1.00 per ounce produced where the average official London gold price for the quarter is less than US\$300 per ounce. The royalty increases to US\$1.50 per ounce when the London gold price is between US\$300 and US\$450 per ounce and to US\$2.00 per ounce when the London gold price exceeds US\$450 per ounce.

The research license dated December 30, 2002 covering the Koninko mineral property interest was granted for a three year term, and may be renewed twice. The license area covers 200 square kilometers. On July 28, 2008, the west half of the original permit, called Filamana, was assigned to Delta Mali. Filamana covers 100 square kilometres. The east half of the original permit is under application by Delta Mali.

***Telwa Gada***

On August 9, 2007 Delta was granted four prospective uranium research licenses in Niger, West Africa. The permits, Telwa 2, Telwa 3, Gada 3 and Gada 4 cover 1,941 square kilometres of the southern portion of the Tim Mersoï sedimentary basin. The research licenses are located near the city of Agadez approximately 800 kilometres northeast of Niamey, the capital of Niger. Each of the licenses is granted for a period of three years, and may be renewed twice for a three year period. In order to maintain the licenses Delta is required to spend US\$235,000 on exploration in the first year (completed), US\$590,000 in the second year, and US\$1,180,000 in the third year on each license and file appropriate quarterly and annual reports with Government of Niger. Management has been informed that the periods related to those obligations commenced January 1, 2009.

## 7. Mineral Properties – (cont'd)

### **Other properties**

#### ***Balandougou***

On January 18, 2006, a research license was granted to a third party, valid for a period of three years renewable twice on the Balandougou mineral property interest. This license was to be assigned to Delta Mali, and is currently the subject of a reapplication process. The license area covers 75 square kilometers and is adjacent to the Manalo property. The Balandougou mineral property interest is located in southwestern Mali, West Africa.

#### ***Tamekouré and Niambala***

On September 7, 2007, Delta entered into two mining option agreements with Continental Trading and Industrial Company ("Contico") and its principals ("Optionors") whereby Delta was granted options to acquire a 100% interest in each of the Tamekouré and Niambala uranium mineral property interests located in Guinea, West Africa.

In consideration for the signing of the option agreement on the Niambala mineral property interest, the Company is required to pay the Optionors the amount of US\$5,000 (paid) and on the first anniversary date of the option agreement (September 7, 2008), pay the Optionors the sum of US\$10,000 (paid). The Niambala permit was granted to Contico March 15, 2007, for a period of 2 years, renewable according to the Guinea Mining Code. Contico has reapplied for the license, subject to a 50% reduction in area. The original license covered 203 square kilometres.

In consideration for the execution of the option agreement on the Tamekouré mineral property interest, the Company is required to pay the Optionors the amount of US\$5,000 (due pending title verification) and on the first anniversary of the date of the option agreement, being April 2008, pay the Optionors the sum of US\$10,000 (due pending title verification). The original Contico license (Tamekoure), covering 253 square kilometres, was issued to Contico on February 6, 2006 and lapsed 2 years later. Contico has not reapplied for the license

#### ***Winza North***

On January 18, 2006, a research license for a three year term renewable twice was granted in the name of Delta Mali. The license area covers 33 square kilometres. The Winza North mineral property interest is located in southwestern Mali, West Africa. The Winza North permit expired on January 18, 2009 and was not renewed.

## 8. Share Capital

### a) **Authorized**

Unlimited common shares without par value

8. Share Capital – (cont'd)b) **Common Shares**

	<u>Number</u>	<u>Amount</u>
		\$
Balance at June 30, 2008	33,610,284	14,473,337
Issued for cash pursuant to:		
Exercise of warrants - at \$0.60	6,837,619	4,102,571
Exercise of agent warrants - at \$0.45	256,897	115,604
Exercise of options - at \$0.10	300,000	30,000
Acquisition of Delta (Note 3)	13,873,136	4,023,209
Spin-off of Turner Lake option (Note 7c)	250,000	73,750
Transferred from contributed surplus	-	189,578
Flow-through renunciation	-	(907,500)
Balance at June 30, 2009	55,127,936	22,100,549
Issued for cash pursuant to:		
Unit private placement - at \$0.45	12,222,222	5,500,000
Share issuance costs	-	(317,742)
Balance at December 31, 2009	67,350,158	27,282,807

c) **Private Placement**

On July 28, 2009, the Company completed a non-brokered private placement of 12,222,222 units at \$0.45 per unit for gross proceeds of \$5,500,000. Each unit consisted of one common share of the Company and one-half of a non-transferable share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at \$0.55 per share until July 28, 2010. In connection with the transaction, the Company paid \$274,502 in cash as a finder's fee. Proceeds from the private placement have been allocated all to the common shares and \$nil to the warrants.

On March 27, 2008, the Company completed a private placement of 4,000,000 flow-through units at \$0.75 per unit for proceeds of \$3,000,000; each unit contained one common share and one-half share purchase warrant, with each full warrant entitling the holder to purchase one additional common share (non-flow-through) of the Company for a period of two years ending March 27, 2010, at a purchase price of \$1.25 per warrant share. Proceeds from the private placement have been allocated all to the common shares and none to the warrants.

The Company has spent \$2,564,633 on exploration and development activities and renounced the \$3,000,000 (\$435,367 renounced under lookback rule) expenditures to the flow-through shareholders. A reduction in share capital of \$907,500 was recorded during the year ended June 30, 2009 as a result of this renunciation.

Regarding the flow-through shares - in accordance with the recommendations relating to accounting for flow-through shares, the Company reduced the flow-through share proceeds and recognize a future tax liability at an amount approximating the tax effect of the timing difference resulting from renouncing exploration expenditures using currently enacted tax rates. This reduction is now recognized upon completion of the renunciation documentation with the tax authorities which occurred as of March 31, 2009. Concurrently the Company has recognized a future income tax recovery from the utilization of available tax losses of prior periods to offset the future tax liability recognized. The Company has not previously recognized tax benefits relating to losses of prior periods as the criteria for recognition has not been met.

8. Share Capital – (cont'd)d) **Escrow Shares**

As at December 31, 2009, nil (2008: 300,000) common shares remain in escrow.

e) **Options**

## Stock-based Compensation Plan

The Company's stock option plan dated October 25, 2006 provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares, exercisable for a period of up to 5 years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

The Company has granted officers, directors and consultants' share purchase options. These options are granted in accordance with the policies of the regulatory authorities and the Company's stock option plan.

	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Total outstanding and exercisable at June 30, 2008	2,125,000	\$0.37 <sup>(1)</sup>
Exercised	(300,000)	\$0.10
Granted	3,100,000 <sup>(2)</sup>	\$0.35
Total outstanding and exercisable at June 30, 2009	4,925,000	\$0.36
Granted	1,500,000	\$0.55
Total outstanding and exercisable at December 31, 2009	6,425,000	\$0.40

(1) On March 6, 2009, the exercise price was re-priced to \$0.35 per share.

(2) Includes options granted in consideration of the cancellation of Delta's existing options, see Note 3.

8. Share Capital – (cont'd)e) **Options** – (cont'd)

As at December 31, 2009, the following stock options were outstanding and exercisable:

<u>Number</u>	<u>Exercise Price</u>	<u>Contract life Remaining</u>	<u>Expiry Date</u>
500,000	\$0.40	1.91	November 28, 2011
950,000	\$0.35 <sup>(1)</sup>	2.05	January 18, 2012
375,000	\$0.35 <sup>(1)</sup>	3.01	January 2, 2013
3,100,000	\$0.35	4.18	March 5, 2014
1,500,000	\$0.55	4.62	August 12, 2014
<hr/>			
6,425,000		3.72	

(1) On March 6, 2009, the exercise price was re-priced to \$0.35 per share

These options entitle the holder thereof the right to acquire one common share for each option held. The weighted average remaining life of outstanding options is 3.72 years.

The options granted to directors and officers during the period vested on the grant date. The fair value of each option was estimated on the grant date using the Black-Scholes option valuation model with the following assumptions:

	2010	2009
Risk free interest rate	0.82%	0.89%
Expected life	5 years	5 years
Expected volatility	228%	165%
Expected dividend yield	Nil	Nil

For the period ended December 31, 2009, the Company recorded \$816,295 (2008: \$nil) in stock based compensation relating to options granted.

8. Share Capital – (cont'd)f) **Warrants**

In conjunction with the acquisition of Delta (Note 3) effective January 30, 2009 the Company issued 846,687 warrants to replace the outstanding warrants in Delta.

Subsequent to the June 30, 2008 year-end the following changes have occurred:

	<u>Warrants</u>	<u>Weighted Average Exercise Price</u>
Number of warrants outstanding at June 30, 2008	11,115,616	\$1.04
Exercised	(256,897)	\$0.45
Exercised	(6,837,619)	\$0.60
Issued to Delta warrant holders	791,437	\$4.00
Issued to Delta warrant holders	55,250	\$4.10
Expired	(791,437)	\$4.00
Expired	(55,250)	\$4.10
Expired	(1,587,900)	\$2.70
Expired	(117,200)	\$2.75
Number of warrants outstanding at June 30, 2009	2,316,000	\$1.19
Issued with Unit private placement	6,111,111	\$0.55
Number of warrants outstanding at December 31, 2009	8,427,111	\$0.73

All outstanding warrants at December 31, 2009 are exercisable on a 1:1 basis and are summarized as follows:

<u>Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
2,036,000 <sup>(1)</sup>	\$1.25	March 27, 2010
280,000 <sup>(1)</sup>	\$0.75	March 27, 2010
6,111,111	\$0.55	July 28, 2011
8,427,111		

(1) Further to Note 4 any of these warrants that are exercised will receive the common shares of the Company underlying the warrants, plus one unit of Northrock for each three common shares of the Company received. The Company is required to pay 25% of any warrant exercise proceeds to Northrock.

9. Contributed Surplus

	<u>Amount</u>
	\$
Balance as of June 30, 2008	2,698,162
Fair value of stock based compensation (Note 8(e))	813,302
Incremental fair value of re-priced of options (Note 8(e))	145,271
Fair value of options issued in acquisition of Delta (Note 3)	68,000
Transfer to share capital – exercise of options and agent warrants	<u>(189,578)</u>
Balance as of June 30, 2009	\$3,535,157
Fair value of stock based compensation (Note 8(e))	<u>816,295</u>
Balance as of December 31, 2009	<u>\$4,351,452</u>

10. Related Party Transactions

a) Included in accounts payable and accrued liabilities as at December 31, 2009 is \$2,608 (2008: \$7,408) owing to directors of the Company for the recovery of expenses paid on behalf of the Company. This amount is unsecured, non-interest bearing and due on demand.

b) During the period ended December 31, 2009, the Company paid \$15,000 (2008: \$15,000) for rent and office services to a private company controlled by an officer of the Company and in which a second officer and director is a significant shareholder. Pursuant to the services agreement, the Company is required to pay \$30,000 per year and the agreement can be terminated by either party with six months notice.

c) During the period ended December 31, 2009, the Company paid a total of \$210,000 (2008: \$180,000) to a company controlled by officers of the Company for management services; and \$14,000 (2008: \$nil) to the independent directors of the Company as Directors' fees.

d) Included in exploration and drilling expense is \$120,000 (2008: \$60,000) paid to two private companies controlled by two directors of the Company for geological and engineering services.

e) Included in exploration and drilling expense is \$nil (2008: \$24,000) paid to a private company controlled by a director of the Company for equipment rental.

f) During the period ended December 31, 2009, the Company reimbursed \$295,119 (2008: \$61,581) to directors and to private companies controlled by certain directors and officers, for expenses they paid on behalf of the Company. Included in the above amount is \$13,271 (2008: \$21,475) paid to a related party for general liability insurance and directors' & officers' liability insurance that they paid on behalf of the Company.

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 11. Income Taxes

The Company has approximately \$13,477,000 (June 30, 2009 - \$12,661,000) of exploration and development costs which are available for deduction against future income for tax purposes. In addition, the Company has non-capital losses of approximately \$4,790,000 (June 30, 2009 - \$4,075,000) expiring in various amounts from 2010 to 2030. The reorganization of the Company's mineral properties and acquisition during 2009 had a material impact on the exploration and development costs and non-capital losses available to the Company.

The Company has not recognized any future income tax assets. The Company has recorded a valuation allowance against its 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 carryforward periods to utilize all future tax assets.

## 12. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

## 13. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, receivables and loan receivable. The Company manages credit risk by investing its cash and cash equivalents with Canadian Chartered banks. The Company has no significant concentration of credit risk arising from operations. The receivables include primarily goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to its receivables and loan receivable is remote.

### Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2009, the Company has working capital of \$6,280,666. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company believes it has adequate cash flows and cash on hand to discharge its financial obligations.

### 13. Financial Risk Factors – (cont'd)

#### Market risk

##### (a) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2009, the Company has cash and cash equivalents of \$6,458,332, a one percentage increase or decrease in the interest rate would have an approximately \$16,145 impact to the consolidated statements of operations for the period.

##### (b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars: therefore, foreign currency risk is minimal.

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. As at December 31, 2009, cash of \$6,458,332 includes US\$1,523,482 (2008: cash of \$5,357,118 includes US\$488,639), receivables of US\$67,347 and an exploration advance of US\$275,000. Assuming all other variables remain constant, a fluctuation of one cent in the exchange rate of the US dollar to the Canadian dollar would result in an annual increase (decrease) on profit or loss of approximately \$18,658. The Company considers this risk to be somewhat significant and therefore does hedge its foreign exchange risk accordingly.

##### (c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

### 14. Non-cash Transactions

No non-cash Investing and Financing Activities were recorded in the period ended December 31, 2009.

### 15. Exploration advances

The Company has a retainer of \$289,025 (US\$275,000) paid in the fiscal year ended June 30, 2007 to a drilling company for drilling work at the Falea mineral property as exploration and drilling expenses. The amount is interest bearing and to be returned to the Company when the drilling work is completed.

### 16. Loan receivable

As of June 30, 2009, the Company has a loan receivable due from Northrock, a related party with common directors. The receivable was advanced to Northrock prior to the completion of the Northrock arrangement (see Note 4). The receivable is unsecured, non-interest bearing and due on demand.

### 17. Subsequent Events

Pursuant to the Company's 2006 Stock Option Plan, options to purchase 150,000 common shares at \$0.66 per share were granted to a recently appointed director. The options will expire on January 4, 2015.