RX Exploration Inc.

Consolidated Financial Statements

For the Years Ended June 30, 2009 and 2008

Collins Barrow
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AUDITORS' REPORT

To the Shareholders of
RX Exploration Inc.

We have audited the consolidated balance sheets of **RX Exploration Inc.** as at **June 30, 2009** and **2008** and the consolidated statements of operations 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 **June 30, 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.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants

September 18, 2009
Toronto, Ontario

RX Exploration Inc.

Consolidated Balance Sheets
As at June 30

	Note	2009	2008
Assets			
Current			
Cash and cash equivalents		**$ 12,797**	$ 2,249,713
Due from agents		**1,201,610**	2,730,000
Prepaid expenses and sundry assets		**36,567**	21,354
		1,250,974	5,001,067
Mining claims and deferred exploration expenditures	4	**10,080,534**	3,103,655
Reclamation bond	5	**34,263**	14,000
		$11,365,771	$ 8,118,722
Liabilities			
Current			
Accounts payable and accrued liabilities		**$ 700,241**	$ 759,824
Payable on behalf of joint venture participant	4(iv)	**-**	397,063
		700,241	1,156,887
Restoration liability	5	**34,263**	14,000
Future income taxes	11	**-**	237,600
		734,504	1,408,487
Shareholders' Equity			
Capital stock	6	**6,572,952**	3,934,990
Contributed surplus	7	**993,163**	682,802
Share purchase warrants	8	**6,574,042**	4,879,622
Deficit		**(3,508,890)**	(2,787,179)
		10,631,267	6,710,235
		$11,365,771	$ 8,118,722

Nature and Continuance of Operations *(Note 1)*

Subsequent Events *(Note 16)*

Approved by the Board **"Murray R. Nye"** Director **"John O'Donnell"** Director
(Signed) (Signed)

See accompanying notes.

RX Exploration Inc.

Consolidated Statements of Operations and Deficit
For the Years Ended June 30

	Note	2009	2008
Expenses			
Office and general		**$ 126,844**	$ 132,763
Professional and consulting fees		**351,913**	184,347
Stock-based compensation		**312,278**	676,636
Part XII.6 tax		**74,543**	100,556
Write-off of deferred exploration expenditures	4(i)	**105,000**	-
Loss before noted item		**970,578**	1,094,302
Interest income		**(6,917)**	(25,518)
Loss before income taxes		**(963,661)**	(1,068,784)
Future tax recovery	11	**(241,950)**	(302,090)
Net loss		**(721,711)**	(766,694)
Deficit at beginning of year		**(2,787,179)**	(2,020,485)
Deficit at end of year		**$(3,508,890)**	$(2,787,179)
Loss per share			
Basic and diluted		**$ (0.014)**	$ (0.027)
Weighted average number of common shares outstanding			
Basic and diluted		**50,550,957**	28,682,667

See accompanying notes.

RX Exploration Inc.

Consolidated Statements of Cash Flows
For the Years Ended June 30

	Note	2009	2008
Cash flows from operating activities			
Net loss from operations		**$ (721,711)**	$ (766,694)
Add (deduct) items not affecting cash:			
Future tax recovery	11	**(241,950)**	(302,090)
Write-off of deferred exploration expenditures	4(i)	**105,000**	-
Stock-based compensation		**312,278**	676,636
Changes in non-cash working capital items			
Prepaid expenses and sundry assets		**(15,213)**	(21,354)
Accounts payable and accrued liabilities		**(59,583)**	683,307
		(621,179)	269,805
Cash flows from investing activities			
Reclamation bond		**(20,263)**	(14,000)
Acquisition of mining claims and deferred exploration expenditures		**(7,049,779)**	(2,627,394)
		(7,070,042)	(2,641,394)
Cash flows from financing activities			
Issuance of capital stock		**5,457,791**	4,577,455
Re-purchase of capital stock		**(3,486)**	-
		5,454,305	4,577,455
Increase (decrease) in cash during the year		**(2,236,916)**	2,205,866
Cash and cash equivalents at beginning of year		**2,249,713**	43,847
Cash and cash equivalents at end of year		**$ 12,797**	$ 2,249,713

Cash and cash equivalents is comprised of:

	2009	2008
Cash	**$ 12,797**	$ 983,339
Guaranteed investment certificates	**-**	1,266,374
	$ 12,797	$ 2,249,713

See accompanying notes.

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company's principal assets are mining claims and deferred exploration expenditures made with respect to properties which are not in commercial production. The Company is in the process of exploring its mining claims and has not yet determined whether or not the properties will contain economically recoverable reserves. The amounts shown for mining claims and deferred exploration costs represent costs incurred to date and do not reflect present or future values. The recoverability of these capitalized costs 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 future profitable production. Under the current difficult economic environment, access to the capital markets to obtain equity financing is very uncertain, and indeed may be unavailable to the Company on a timely basis. Subsequent to the year end, the Company raised $748,000 (Note 16) through the issuance of units and will have to raise additional funds to complete its planned level of exploration on its properties.

2. CHANGE IN ACCOUNTING POLICIES

The Company has adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants:

(i) Effective July 1, 2008, the Company adopted the recommendations of The Canadian Institute of Chartered Accountants' (“CICA") Handbook Section 1535, Capital Disclosures ("Section 1535"). The new standard requires an entity to disclose information to enable users of its financial statements to evaluate the entity’s objectives, policies and processes for managing capital. Disclosure requirements pertaining to Section 1535 are contained in Note 12.

(ii) Effective July 1, 2008, the Company adopted the recommendations of CICA Handbook Section 3862, Financial Instruments Disclosures ("Section 3862") which replaced Section 3861. Section 3862 provides standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments. Disclosure requirements pertaining to Section 3862 are contained in Note 13.

(iii) Effective July 1, 2008, the Company adopted the recommendations of CICA Handbook Section 3863, Financial Instruments Presentation ("Section 3863") which replaced Section 3861. Section 3863 provides standards for presentation of financial instruments and non financial derivatives. Adoption of this standard had no impact on the Company's financial instrument related presentation.

2. CHANGE IN ACCOUNTING POLICIES

(iv) Effective July 1, 2008, the Company adopted the recommendations of CICA Handbook Section 1400, General Standards of Financial Statement Presentation, to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

(v) Effective July 1, 2007, the Company adopted the recommendations of the CICA Handbook Section 1506, Accounting Changes. Under these new recommendations, voluntary changes in accounting policy are permitted only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and requires enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued but not yet effective (See Note 3).

3. SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who are responsible for their integrity and objectivity. These accounting policies conform to Canadian generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Consolidation and Joint Ventures

A portion of the Company's exploration activities are conducted jointly with others. Expenditures on properties reflect the Company's proportionate interest in mineral properties. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Drumlummon Gold Mines LLC ("Drumlummon") and its proportionate share of assets and liabilities in its 50% owned joint venture, Maryville Milling and Mining LLC ("Maryville"). Currently, Maryville only owns the Placer Claims (Note 4(iv)) and does not have any other assets, liabilities, commitments or contingencies.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

The recommendations in Section 3855 establish standards for recognizing and measuring financial instruments, which include financial assets, financial liabilities, derivatives and embedded derivatives. Under these recommendations, all financial instruments are to be recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, held for trading, available-for-sale or other liability.

Financial assets

Held for trading assets are measured at fair value with the change in the fair value recognized in net income during the period.

Held-to-maturity assets are measured at amortized cost using the effective interest rate method.

Loans and receivables are measured at amortized cost using the effective interest rate method.

Available-for-sale assets are measured at fair value with the changes in fair value recorded in other comprehensive income.

Financial liabilities

Held for trading liabilities are measured at fair value with the change in the fair value recognized in net income during the period.

Other liabilities are measured at amortized cost using the effective interest rate method.

CICA Handbook Section 3865, Hedges, replaces CICA Handbook Accounting Guideline 13, Hedging Relationships, which establishes standards for when and how hedge accounting may be applied. Consistent with financial instruments, it requires that all derivatives, including those designated as hedges, be measured at fair value. Changes in the fair value of a derivative which hedges the Company's exposure to changes in the fair value of an asset or liability, a fair value hedge, are recognized in net income together with those of the respective offsetting hedged item. Changes in the fair value of a derivative which effectively hedges the Company's exposure to changing cash flows, a cash flow hedge, are accumulated in other comprehensive income until the transaction being hedged affects net income.

CICA Handbook Section 1530, Comprehensive Income, establishes new measurements of earnings in the financial statements. Other comprehensive income consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income. To date there has not been any other comprehensive income and accordingly, a statement of comprehensive income has not been presented.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash and cash equivalents	Held for trading
Due from agents	Loans and receivables
Reclamation bond	Held for trading
Accounts payable and accrued liabilities	Other liabilities

Stock-Based Compensation and Other Stock-Based Payments

The Company applies a fair value based method of accounting to all stock-based payments. Accordingly, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable. Stock-based compensation is charged to operations over the vesting period and the offset is credited to contributed surplus. Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Income Taxes and Flow Through Shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized, thereby reducing share capital.

If a company has sufficient unused tax losses and deductions (“losses”) to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, such unrecognized losses are recorded as income to the extent that the future income tax liabilities relating to the issuance of flow through shares are expected to reverse in the loss carry forward period.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Mining Properties and Deferred Exploration Costs

All direct costs related to the acquisition and exploration and development of specific properties are capitalized as incurred. If a property is brought into production, these costs will be amortized against the income generated from the property. If a property is abandoned, sold or impaired, an appropriate charge will be made. Discretionary option payments arising on the acquisition of mining properties are only recognized when paid. Amounts received from other parties to earn an interest in the Company's mining properties are applied as a reduction of the mining property and deferred exploration costs, except for administrative reimbursements which are credited to operations.

The amounts shown for mining claims and related deferred costs represent costs incurred to date, less amounts expensed and reimbursements, and do not necessarily reflect present or future values of the particular properties. The recoverability of these costs is dependent upon discovery of economically recoverable reserves and future production or proceeds from the disposition thereof.

- **Impairment**

  The Company reviews the carrying value of a mineral exploration property when events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying value of the property exceeds its fair value, the property will be written down to fair value with the provision charged against operations in the year. An impairment is also recorded when management determines that it will discontinue exploration or development on a property or when exploration rights or permits expire. The amount shown for deferred exploration expenses, represents costs incurred to date net of write-downs, if any, and is not intended to reflect present or future values. Management considers the guidance in EIC-174, Mining Exploration Costs, when determining whether or not its mining properties are impaired.

- **Title**

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

Restoration Liability

The amount of restoration liabilities are estimated each year by management based upon current regulations and industry practice. As a result of the Company's exploration activities management has estimated the amount of the restoration liability based on the expected cost to return the area to its original condition. A corresponding increase is made to the mineral claims and deferred exploration costs.

Share Issuance Costs

Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Loss Per Share

Basic loss per share is calculated based on the weighted average number of shares outstanding. The treasury stock method is used to compute the dilutive effect of options, warrants and similar instruments.

Foreign Currency

The Company's wholly-owned subsidiary Drumlummon and its proportionate share in Maryville are treated as integrated foreign operations. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at rates of exchange at each transaction date. Revenue and expenses are translated at the rate of exchange at each transaction date. Gains or losses on translation are included in income.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Areas requiring significant estimates by management are valuation of stock based compensation, allocation of proceeds to warrants on share issuances and the valuation of mining claims and deferred exploration expenditures. Actual results could differ from those estimates.

Recent Accounting Pronouncements Issued and Not Yet Applied

(a) In 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets ("CICA 3064"). CICA 3064, which replaces Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs, 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 periods commencing July 1, 2009. Management has determined that there will be no impact of the standard on its financial statements.

(b) The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards (“IFRS”) over a transition period expected to end in 2011, when IFRS will be fully adopted. The impact of the transition to IFRS on the Company’s financial statements is not yet determinable.

4. MINING CLAIMS AND DEFERRED EXPLORATION EXPENDITURES

	July 1 2008	Additions	Write-off	June 30 2009
Thunder Bay Claims, ON (i)	$ 105,000	$ -	$ 105,000	$ -
Hard Rock Claims, MT (ii)	2,531,388	5,050,691	-	7,582,079
Van Koughnet Township Claims, ON (iii)	467,267	1,622,452	-	2,089,719
Placer Claims, MT (iv)	-	408,736	-	408,736
	$3,103,655	$7,081,879	$ 105,000	$10,080,534

	July 1 2007	Additions	Write-off	June 30 2008
Thunder Bay Claims, ON (i)	$ 105,000	$ -	$ -	$ 105,000
Hard Rock Claims, MT (ii)	317,261	2,214,127	-	2,531,388
Van Koughnet Township Claims, ON (iii)	-	467,267	-	467,267
	$ 422,261	$2,681,394	$ -	$ 3,103,655

(i) Thunder Bay Claims - Thunder Bay Mining Division, Ontario

(1) On October 21, 2005, the Company acquired from Wabassi River Resources Inc. (the "Optionor") an option to earn a 50% interest in the Zulapa Interest ("Zulapa"). This claim is on land owned by a First Nations band, in the Province of Ontario. The option on Zulapa is contingent on the optionor obtaining a signed agreement from the First Nations tribe approving any exploration activity on their land.

(2) Concurrently, the Company acquired an option to earn a 50% interest in eight (8) unpatented mining claims which are adjacent to the Zulapa claim, (totaling 108 claim units) from the Optionor in the Thunder Bay Mining Division in the Province of Ontario.

In order to maintain these options the Company is required to do the following:

(a) pay $5,500 to the Optionor upon signing of the option agreement (the "Agreement"), which was paid in the year ended June 30, 2006;

(b) incur expenditures of not less than $150,000 in mining operations with respect to any of the claims or the Zulapa Interest (if and when available), on or before the first anniversary of the signing of the Agreement, of which sufficient expenditures must be recorded against the claims in each year to meet assessment requirements required to keep them in good standing;

4. MINING CLAIMS AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)

(i) Thunder Bay Claims - Thunder Bay Mining Division, Ontario (Cont'd)

(c) incur further expenditures of not less than $200,000 in mining operations with respect to any of the claims or the Zulapa Interest (if and when available), on or before the earlier of:

   (i) the first anniversary of the Formal First Nation Agreement, if and when entered into; and

   (ii) the second anniversary of the signing of the Agreement;

(d) on or before the 60th day (the "Election Date") after receiving a comprehensive report on the results of the mining operations and after a minimum of $350,000 in expenditures have been incurred, the Company shall be required to elect in writing whether or not it will proceed to earn its 50% interest in the claims and/or the Zulapa Interest. In the event that the Company exercises its right to proceed to earn its 50% interest in the claims and/or the Zulapa Interest, the Company shall:

   (i) pay to the Optionor the sum of $150,000 on or before the 30th day following the Election Date; and

   (ii) incur further expenditures of not less than $1,150,000 in mining operations with respect to any of the claims or the Zulapa Interest (if and when available), on or before the second anniversary of the Election Date;

(e) in the event that the Company has incurred expenditures of at least $350,000, but does not elect to earn its 50% interest to the claims and/or the Zulapa Interest (see Note 4(d)), the Company's interest or right to earn an interest in the claims and the Zulapa Interest shall be converted into a 10% interest in the claims and/or the Zulapa Interest.

The claims are subject to a 2% net smelter royalty ("NSR") which the Company can, at any time, repurchase one percent of the NSR for $1,500,000.

As at June 30, 2009, the Company has paid the $5,500 due on signing and incurred $99,500 of exploration expenditures. The expenditures incurred in the prior years related to the mining claims surrounding the First Nations land. The Company has not been able to meet its requirements under this arrangement as access to the land claims and Zulapa interest have not yet been granted by the First Nations band; however, the Company will continue to proceed with this exploration once permission has been granted. The optionor is aware that the Company has not been granted access to the claims resulting in their inability to meet the terms of the agreement. Management is working with the optionor to obtain the required permissions.

Although Management still intends on pursuing these claims, all deferred exploration expenditures have been written off in the current fiscal year due to the length of time which has passed since these costs were incurred as the optionor has been unable to obtain the required permission to proceed from the First Nations band.

4. MINING CLAIMS AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)

(ii) Hard Rock Claims - Lewis and Clark County, Montana

On October 30, 2006, the Company entered into an agreement with subsequent amendments with an arm's length party, (the "optionors"), to option from them 100% of their interest in patented mining claims ("Hard Rock Claims") situated in Lewis and Clark County in the State of Montana consisting of 23 claims (3 of the claims consist of less than 100% interest). To earn 100% of the optionor's interest the Company must make further annual payments of $240,000 on April 13, 2010 and 2011.

The claims are subject to a 2% net smelter royalty.

(iii) Van Koughnet Township - Sault Ste. Marie Mining Division, Ontario

Agreement A

On March 7, 2008, the Company entered into an agreement to acquire an undivided 50% working interest in 6 claims located in the Van Koughnet township in the Province of Ontario. To earn its 50% interest in the claims the Company must incur or fund expenditures of $1,500,000 by the second anniversary of closing and issue 60,000 shares on the exercise date.

After the Company has exercised its option, the parties agree that each party will pay 50% of the cost of further exploration expenditures. There will be a standard dilution clause if either party fails to pay its proportionate share of expenditures. If either party is diluted to less than 10%, its interest will be converted to a 1% net smelter return (“NSR”).

The Optionor shall be entitled to a royalty interest equal to a 2% NSR. One-half of the NSR may be repurchased for $600,000 at any time.

Agreement B

The Company has entered into two option agreements (the "option") to acquire an undivided 50% working interest in 5 claims located in the Township of Van Koughnet. In order to maintain the option the Company shall incur or fund expenditures totaling $1,000,000 with respect to any of the claims on or before March 11, 2010 and a further $500,000 within one year of the completion of the first $1,000,000. Once the Company has incurred the expenditures with respect to the claim it shall automatically earn a 50% interest. After the Company earns its interest, both parties will contribute equally to fund the exploration. There will be a standard dilution clause if either party fails to pay its proportionate share of expenditures. If either party is diluted to less than 10%, its interest will be converted to a 1% NSR.

As at June 30, 2009 the Company has incurred and/or funded approximately $2,001,300 in exploration expenditures towards the above agreements.

4. MINING CLAIMS AND DEFERRED EXPLORATION EXPENDITURES (Cont'd)

(iv) Placer Claims - Lewis and Clark County, Montana

On April 17, 2008 the Company entered into an agreement to purchase a 100% interest in 12 mining claims in the Lewis and Clark County in the State of Montana for $625,000 USD and 350,000 common shares.

In exchange for a cash investment of $3,000,000 made in the prior year, the Company issued 7,500,000 units (Note 6(i)) in the year ended June 30, 2008 and agreed to transfer this property into a newly formed entity ("Marysville Mining and Milling, LLC", "MMM") in which the Company would have a 50% interest and the investor, Spruce Ridge Resources Ltd. ("SRR"), would have the remaining 50% interest. Of the $3,000,000 financing provided by SRR, $397,063 represented the amount related to their 50% interest in MMM which was reflected was a liability on the balance sheet for the year ended June 30, 2008. During the current year this liability was applied against current year additions relating to the property. The property was transferred into MMM and is 50% owned by each party.

The Company does not have a minimum future expenditure commitment on the property. However, their 50% interest is subject to dilution if the Company doesn't participate pro-rata with the other co-owner on any future expenditures.

The vendors retain a 2% Net Smelter royalty on certain claims and a 3% gross royalty on certain claims.

5. RECLAMATION BONDS

As at June 30, 2009, management estimated site restoration costs relating to their exploration program on their mining claims in Montana which has been accrued. These costs are estimated by management and approved by the the Montana Department of Environmental Quality ("MDEQ"). The Company is required to issue reclamation bonds to cover these estimated restoration costs. The reclamation bonds will be refunded to the Company upon the MDEQ being satisfied with the site restoration.

6. CAPITAL STOCK

Authorized
unlimited common shares

Issued

	Number of Shares	Amount
Balance at June 30, 2007	**17,968,115**	**$2,086,920**
Shares and units issued (i)	22,805,333	7,686,000
Allocated to payable on behalf of joint venture participant (Note 4(iv))	-	(397,063)
Shares issued on settlement liabilities (ii)	1,815,560	181,556
Shares issued as payment for interest in mineral property (iii)	100,000	40,000
Shares issued through exercise of purchase warrants (iv)	2,497,500	480,059
Proceeds allocated to warrants (i)	-	(4,293,873)
Share issue costs (i)	-	(1,848,609)
Balance at June 30, 2008	**45,186,508**	**$3,934,990**
Units issued (v)	22,628,500	4,530,700
Shares purchased and cancelled	(17,430)	(1,569)
Shares issued as payment for interest in mineral property (vi)	410,000	168,900
Allocated to warrants (v)	-	(1,440,295)
Share issue costs (v)	-	(619,774)
Balance at June 30, 2009	**68,207,578**	**$6,572,952**

(i) During the prior year the Company raised gross proceeds of $7,686,000 by issuing shares and units as follows:

- 6,583,333 common shares were issued for gross proceeds of $825,000;

- 12,500,000 units were issued for gross proceeds of $5,000,000 of which 5,000,000 units representing $3,000,000 were issued to SRR (Note 4(iv)). Included in these units were 12,325,000 warrants all exercisable at $0.40 per share for two years from issuance. The fair value of each warrant granted in the year has been estimated at the date of grant or the date when it became measurable using the Black-Scholes option pricing model is $4,293,873 (Note 8).

- 3,722,000 flow-through units were issued for gross proceeds of $1,861,000. Each unit consisted of one flow-through common share and one-half warrant. Each whole warrant entitled the holder to purchase a common share at $0.40 for a period of two years.

6. **CAPITAL STOCK** (Cont'd)

- Share issue costs of $1,848,609 have been netted against the proceeds. Included in share issue costs is $539,690 relating to the net future tax cost relating to the issuance of flow-through shares and $585,749 representing the fair value of 1,938,033 broker warrants issued in connection with the above financings.

(ii) The Company's legal counsel, a significant shareholder and a director, converted accrued liabilities in the amount of $181,556 into common shares.

(iii) The Company issued 100,000 common shares at $0.40 per common shares as an option payment for the Van Koughnet Township claims.

(iv) During the prior year, 2,497,500 warrants were exercised into common shares at an exercise price of $0.15 for gross proceeds of $374,625. The fair value of these warrants exercised during the year estimated at the date of grant or the date when it became measurable using the Black-Scholes option pricing model was $105,434.

(v) During the year the Company raised gross proceeds of $4,530,700 by issuing shares and units as follows:

- 22,578,500 units were issued for gross proceeds of $4,515,700. Each unit consisted of one common share and one warrant. Included in the units issued was 1,200,000 units issued in consideration of mining services provided by a consultant valued at $240,000. Each warrant entitles the holder to purchase a common share at prices ranging from $0.25 to $0.40 for a period of two years. The fair value of each warrant granted in the year has been estimated at the date of grant using the Black-Scholes option pricing model (Note 8) is $1,438,295.

- 50,000 flow-through units were issued for gross proceeds of $15,000. Each unit consisted of one flow-through common share and one-half warrant. Each whole warrant entitled the holder to purchase a common share at $0.40 for a period of two years. The fair value of each warrant granted in the year has been estimated at the date of grant using the Black-Scholes option pricing model (Note 8) is $2,000.

- Share issue costs of $619,774 have been netted against the proceeds. Included in share issue costs is $4,350 relating to the net future tax cost relating to the issuance of flow-through shares and $254,127 representing the fair value of 1,699,500 broker warrants issued in connection with the above financings.

(vi) On July 2, 2008, the Company issued 350,000 common shares at $0.45 per share as an option payment for the Lewis and Clark County Placer Claims.

On March 10, 2009, the Company issued 60,000 common shares as an option payment for the Van Koughnet Silver claims.

7. CONTRIBUTED SURPLUS

The following summarizes the change in contributed surplus:

	2009	2008
Balance, beginning of year	**$ 682,802**	$ 3,000
Stock-based compensation expense (Note 10)	**312,278**	676,636
Warrants expired	**-**	3,166
Premium on repurchase of shares	**(1,917)**	-
Balance, end of year	**$ 993,163**	$ 682,802

8. SHARE PURCHASE WARRANTS

The following summarizes the change in share purchase warrants:

	2009	2008
Balance, beginning of year	**$ 4,879,622**	$ 108,600
Warrants granted (Note 6(v))	**1,694,420**	4,879,622
Warrants exercised allocated to share capital (Note 6(iv))	**-**	(105,434)
Warrants expired allocated to contributed surplus (Note 7)	**-**	(3,166)
Balance, end of year	**$ 6,574,042**	$4,879,622

The share purchase warrants consists of regular warrants and broker warrants. The fair value of each warrant granted in the year has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: (i) dividend yield of 0% (2008 - 0%); (ii) expected volatility of 131% (2008 - 137%); (iii) risk-free interest rate of 1.17% (2008 - 3.03%) and; (iv) expected life of 2 years (2008 - 2 years).

9. STOCK OPTIONS AND WARRANTS

(i) Stock Options

The Company has a formal stock option plan (the "Plan"). Under the terms of the Plan, the aggregate number of shares reserved for issuance, together with any other share compensation arrangements, shall not exceed 10% of the Company's issued and outstanding common shares at the time of grant. The maximum number of common shares reserved for issuance to any one participant during any one year period shall not exceed 5% of the total number of common shares issued and outstanding at the time of grant. Options granted pursuant to the Plan will have terms not to exceed five years, and are granted at an option price which will not be less than the fair market price at the time the options are granted. Vesting terms of options granted is at the discretion of the board.

The following summarizes the stock option activities:

	2009		2008	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Beginning balance	**2,750,000**	**$0.39**	400,000	$0.15
Granted	**1,950,000**	**$0.25**	2,350,000	$0.43
Outstanding at year-end	**4,700,000**	**$0.33**	2,750,000	$0.39
Exercisable at year-end	**4,700,000**	**$0.33**	2,750,000	$0.33

The Company had the following stock options outstanding as of June 30, 2009:

Number of Options	**Exercisable**	**Exercise Price**	**Expiry Date**
400,000	400,000	$0.15	November 10, 2011
1,650,000	1,650,000	$0.32	February 1, 2010
500,000	500,000	$0.70	May 22, 2010
200,000	200,000	$0.70	August 22, 2010
1,750,000	1,750,000	$0.25	January 28, 2012
200,000	200,000	$0.25	January 28, 2012
4,700,000	**4,700,000**		

9. STOCK OPTIONS AND WARRANTS (Cont'd)

(ii) Warrants

The following summarizes warrant activities:

	2009		2008	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Beginning balance	**16,299,033**	**$0.30**	2,572,500	$0.15
Granted	**24,303,000**	**$0.37**	16,299,033	$0.30
Exercised	**-**	**$ -**	(2,497,500)	$0.15
Expired	**-**	**$ -**	(75,000)	$0.15
Outstanding at year-end	**40,602,033**	**$0.34**	16,299,033	$0.30

9. STOCK OPTIONS AND WARRANTS (Cont'd)

(ii) Warrants (Cont'd)

The Company had the following warrants outstanding at June 30, 2009:

Number of Warrants		Exercise Price	Expiry Date
333,333	(i)	$0.15	December 19, 2009
372,200	(i)	$0.50	December 19, 2009
1,861,000		$0.75	December 19, 2009
2,850,000		$0.60	April 3, 2010
285,000	(i)	$0.40	April 3, 2010
1,325,000		$0.60	April 10, 2010
132,500	(i)	$0.40	April 10, 2010
617,000		$0.60	April 11, 2010
44,200	(i)	$0.40	April 11, 2010
75,000		$0.60	April 30, 2010
7,500	(i)	$0.40	April 30, 2010
133,000		$0.60	May 5, 2010
13,300	(i)	$0.40	May 5, 2010
7,500,000		$0.60	June 30, 2010
750,000	(i)	$0.40	June 30, 2010
300,000		$0.25	December 31, 2010
30,000	(i)	$0.20	December 31, 2010
25,000		$0.40	December 31, 2010
5,000	(i)	$0.30	December 31, 2010
2,250,000		$0.25	January 19, 2011
225,000	(i)	$0.20	January 19, 2011
350,000		$0.25	January 19, 2011
50,000		$0.25	January 29, 2011
5,000	(i)	$0.20	January 29, 2011
140,000		$0.25	February 6, 2011
9,865,000	(ii)	$0.40	March 2, 2011
986,500	(i)	$0.20	March 2, 2011
1,225,000	(ii)	$0.40	April 24, 2011
122,500	(i)	$0.20	April 24, 2011
5,118,500	(ii)	$0.40	June 25, 2011
25,000		$0.40	June 30, 2011
3,255,000	(ii)	$0.40	June 30, 2011
325,500	(i)	$0.20	June 30, 2011
40,602,033			

(i) These are broker warrants in connection with the Company's financings disclosed in Note 6(i) and (vi).

(ii) The expiry date shall be accelerated to 30 days from the 10th consecutive trading day on which the common shares close at or above $0.30.

10. STOCK-BASED COMPENSATION

The total stock based compensation relating to options issued pursuant to the stock option plan disclosed in Note 9(i), recognized during the year was $312,278 (2008 - $676,636).

The fair value of each option granted in the year has been estimated at the date of grant or the date when it became measurable using the Black-Scholes option pricing model.

The weighted average fair value of the options granted during the year was estimated at $0.14 (2008 – $0.40) using the Black-Scholes option pricing model with the following weighted average assumptions: (i) expected dividend yield of 0% (2008 – 0%); (ii) expected volatility of 129% (2008 – 144%); (iii) risk free interest rate of 1.39% (2008 – 3.09%) and; (iv) expected life of 3 years (2008 – 2 years).

The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made in the year they occur. Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

11. INCOME TAXES

(i) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal/ provincial tax rates with the income tax expense in these financial statements:

	2009	2008
Earnings (loss) before income taxes	**$ (963,661)**	$1,068,784
Statutory rate	**33.3 %**	33.5 %
Expected income tax recovery	**$ (320,899)**	$ (358,043)
Expired losses	**46,400**	-
Change in tax rates and other	**41,400**	(143,057)
Share issue costs	**(179,700)**	(209,700)
Change in valuation allowance	**114,890**	182,010
Non-deductible expenses and other	**55,959**	226,700
Income tax expense (recovery)	**$ (241,950)**	$ (302,090)

11. INCOME TAXES (Cont'd)

(ii) **Future Income Taxes**

The future income tax assets and future income tax liabilities arising from temporary differences are presented below:

	2009	2008
Future tax assets		
Amounts related to tax loss and credit carryforwards	**$ 769,650**	$ 309,180
Capital losses	**145,380**	207,640
Share issuance costs	**271,850**	171,120
	1,186,880	687,940
Future tax liabilities		
Mineral properties	**(778,190)**	(631,740)
Net future tax asset	**408,690**	56,200
Less: Valuation allowance	**(408,690)**	(293,800)
	$ -	$ (237,600)

(iii) The Company has non-capital losses of approximately $2,662,030 available to apply against future taxable income. If not utilized, the non-capital losses will expire as follows:

2010	54,700
2011	$ 48,300
2015	27,200
2026	149,500
2027	79,000
2028	540,630
2029	1,762,700
	$ 2,662,030

In addition, the Company has capital losses of $1,002,600 which can be used against future taxable gains.

12. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, share purchase warrants, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its exploration and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the twelve months ended June 30, 2009.

13. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), fair value risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Market risk:

(i) Currency risk:

The Company is exposed to foreign exchange risk from various currencies, primarily US dollars. Foreign exchange risk arises from purchase transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

The Company's main objective in managing its foreign exchange is to maintain US cash on hand to support US forecasted cash flows over a 12 month horizon. To achieve this objective the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the currency of cash held.

As at June 30, 2009 the Company held $4,292 of cash in US dollars.

13. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Market risk: (Cont'd)

(ii) Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash earns interest at market rates.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day to day basis. Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations as interest income is a nominal amount for the twelve months ended June 30, 2009.

(b) Fair value risk:

The carrying values of cash and cash equivalents, due from agent, accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

(c) Credit risk:

The Company is exposed to credit risk with respect to its cash and cash equivalents, however this is minimized as cash and cash equivalents are placed with major Canadian financial institutions. The amount due from agent was received subsequent to the year end.

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at June 30, 2009, the Company has current liabilities of $700,241 due within 12 months and has cash and cash equivalents and receivable from agent of $1,214,407 to meet its current obligations. As at June 30, 2009 the Company has a working capital surplus of $550,733. Management will continue to raise capital to fund the Company's exploration, development and feasibility expenditures and for general and administrative costs.

14. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed to by the respective parties. Related party transactions not disclosed elsewhere are summarized below:

Included in mining claims and deferred exploration expenditures are $40,960 (2008 - $51,720) of fees paid to the Company's legal counsel who is a director of the Company and $46,654 (2008 – Nil) paid to companies controlled by officers of the company.

Included in accounts payable and accrued liabilities is $74,252 (2008 - $181,790) due to the Company's legal counsel who is a director of the Company, $40,000 (2008 - $50,000) due to a company controlled by significant shareholders and $12,500 (2008 – Nil) due to a company controlled by a director of the Company.

Included in capital stock is $42,693 (2008 - $72,480) of share issuance costs for fees paid to the Company's legal counsel who is a director of the Company.

Included in professional and consulting fees are $128,349 (2008 - $123,607) of fees paid to the Company's legal counsel who is a director of the Company, $72,500 (2008 - $50,000) in management fees to a company controlled by significant shareholders and $7,500 (2008 – Nil) paid to a company controlled by a director of the Company.

Included in office and general are $47,516 (2008 - $35,009) in payments to a company controlled by a significant shareholder, related to rent and reimbursements.

15. CONTINGENCY

Pursuant to the flow through share issuance (Note 6(i)) in the prior year the Company renounced to its investors certain expenditures in accordance with the look-back rules under the Income Tax Act ("the Act"). As a result, the Company was committed to incurring approximately $1,861,000 of Canadian Exploration Expenditures prior to December 31, 2008. The Company did not incur the required amount of Canadian Exploration Expenditures by December 31, 2008 and as a result has incurred a Part XII.6 tax in the approximate amount of $75,000. In addition the qualification of the eligibility of the Canadian Exploration Expenditures, including amounts funded to and then expended by the optionors of the Van Koughnet Townships claims (Note 4(iii)), which were renounced in relation to the flow through share issuance at (Note 6(i)) are in the normal course of business subject to review by the Canada Revenue Agency ("CRA"). If these expenditures were denied by the CRA under review the Company would incur penalties and would be required to amend certain of its tax filings with its flow through share investors.

16. SUBSEQUENT EVENTS

(i) On July 8, 2009, 2,100,000 Units were issued at a price of $0.20 per Unit. Each Unit consisted of one common share and one share purchase warrant, each warrant entitling the holder to acquire one further common share for 2 years at a price of $0.40 per common share (the expiry date shall be accelerated to thirty days from the tenth consecutive trading day on which the common shares of RX close at or above $0.60).

(ii) On July 8, 2009, a total of 1,815,000 non-brokered Units were issued at a price of $0.20 per Unit. Each Unit consisted of one common share and one share purchase warrant, each warrant entitling the holder to acquire one further common share for 2 years at a price of $0.40 per common share (the expiry date shall be accelerated to thirty days from the tenth consecutive trading day on which the common shares of RX close at or above $0.60).