

# **RX Exploration Inc.**

## **Interim Consolidated Financial Statements**

**Three and nine months ended March 31, 2010**  
(unaudited)

### **Notice to Reader**

The accompanying unaudited interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

# RX Exploration Inc.

Consolidated Interim Balance Sheets  
(unaudited - See Notice to Reader)

	Note	March 31, 2010	June 30, 2009 (audited)
<b>Assets</b>			
<b>Current</b>			
Cash		\$ 2,960,696	\$ 12,797
Due from agents		-	1,201,610
Prepaid expenses and sundry assets		233,281	36,567
		<b>3,193,977</b>	1,250,974
<b>Mining claims and deferred exploration expenditures</b>			
	3	13,247,809	10,080,534
<b>Reclamation bond</b>	4	11,780	34,263
		<b>\$16,453,566</b>	\$11,365,771

## Liabilities

<b>Current</b>			
Accounts payable and accrued liabilities		\$ 314,431	\$ 700,241
<b>Restoration liability</b>		34,263	34,263
<b>Deposit on shares</b>	14(iv)	403,500	-
		<b>752,194</b>	734,504

## Shareholders' Equity

Capital stock	5	9,779,777	6,572,952
Contributed surplus	6	2,052,937	993,163
Share purchase warrants	7	8,767,096	6,574,042
<b>Deficit</b>		<b>(4,898,438)</b>	<b>(3,508,890)</b>
		<b>15,701,372</b>	10,631,267
		<b>\$16,453,566</b>	\$11,365,771

*Nature of Operations (Note 1)*

*Subsequent Events (Note 14)*

Approved by the Board "Murray R. Nye" Director "John A. Ryan" Director  
(Signed) (Signed)

See accompanying notes.

# RX Exploration Inc.

## Consolidated Interim Statements of Operations and Deficit

(unaudited - See Notice to Reader)

	Three Months Ended March 31		Nine Months Ended March 31	
	2010	2009	2010	2009
<b>Expenses</b>				
Office and general	\$ 138,483	\$ 71,439	\$ 331,484	\$ 121,981
Professional and consulting fees	123,375	110,460	332,598	211,379
Stock-based compensation	9	268,725	725,466	268,725
	<b>485,324</b>	450,624	<b>1,389,548</b>	602,085
<b>Interest income</b>	-	-	-	(6,917)
Loss before taxes	(485,324)	(450,624)	(1,389,548)	(595,168)
Future tax recovery	-	(133,490)	-	(176,490)
<b>Net loss for period</b>	<b>(485,324)</b>	(317,134)	<b>(1,389,548)</b>	(418,678)
<b>Deficit at beginning of period</b>	<b>(4,413,114)</b>	(2,888,723)	<b>(3,508,890)</b>	(2,787,179)
<b>Deficit at end of period</b>	<b>\$ (4,898,438)</b>	\$ (3,205,857)	<b>\$ (4,898,438)</b>	\$ (3,205,857)
<b>Basic and diluted loss per share</b>	<b>\$ (0.0056)</b>	\$ (0.0062)	<b>\$ (0.0175)</b>	\$ (0.0088)
<b>Basic and diluted weighted average shares outstanding</b>	<b>86,099,803</b>	51,377,107	<b>79,193,474</b>	47,454,953

See accompanying notes.

# RX Exploration Inc.

## Consolidated Interim Statements of Cash Flows

(unaudited - See Notice to Reader)

	Three Months Ended March 31		Nine Months Ended March 31	
	2010	2009	2010	2009
<b>Cash flows from operating activities</b>				
Net loss from operations	\$ (485,324)	\$ (317,134)	\$ (1,389,548)	\$ (418,678)
Add (deduct) items not affecting cash:				
Future tax recovery	-	(133,490)	-	(176,490)
Stock-based compensation	223,466	268,725	725,466	268,725
Loss on share buy back	-	(1,917)	-	(1,917)
Changes in non-cash working capital items				
Amount receivable	-	69,600	-	-
Accounts payable and accrued liabilities	(85,386)	(112,950)	(385,810)	391,803
Prepaid expenses and other assets	(186,091)	(2,837)	(196,714)	(6,753)
	<b>(533,335)</b>	<b>(230,003)</b>	<b>(1,246,606)</b>	<b>56,690</b>
<b>Cash flows from investing activity</b>				
Reclamation bond			22,483	(2,300)
Mining claims and deferred exploration expenditures	(1,851,534)	(794,658)	(3,167,275)	(6,113,110)
	<b>(1,851,534)</b>	<b>(794,658)</b>	<b>(3,144,792)</b>	<b>(6,115,410)</b>
<b>Cash flows from financing activities</b>				
Issuance of capital stock	2,931,406	2,284,016	5,734,187	2,344,087
Subscriptions received from agent	-	-	1,201,610	2,730,000
Deposit on share subscription	403,500	(70,000)	403,500	-
	<b>3,334,906</b>	<b>2,214,016</b>	<b>7,339,297</b>	<b>5,074,087</b>
<b>Increase (decrease) in cash during the period</b>	<b>950,037</b>	<b>1,189,355</b>	<b>2,947,899</b>	<b>(984,633)</b>
<b>Cash at beginning of period</b>	<b>2,010,659</b>	<b>75,725</b>	<b>12,797</b>	<b>2,249,713</b>
<b>Cash at end of period</b>	<b>\$ 2,960,696</b>	<b>\$ 1,265,080</b>	<b>\$ 2,960,696</b>	<b>\$ 1,265,080</b>

See accompanying notes.

# **RX Exploration Inc.**

## **Notes to Interim Consolidated Financial Statements**

(unaudited - See Notice to Reader)

---

### **1. NATURE OF OPERATIONS**

The continuing operations of the Company and the recoverability of the carrying value of the mining claims and the related deferred exploration expenditures are dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain necessary financing to continue exploration and development, the ability of the Company to secure and maintain title and beneficial interest in the properties, entering agreements with others to explore and develop the properties and upon future profitable production or proceeds from disposition of such properties. Realized amounts for the Company's mining properties may vary materially from book amounts.

As is common with exploration companies, the Company is dependent upon obtaining necessary equity financing from time to time to finance its on going and planned exploration activities.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using accounting policies consistent with the Company's audited annual financial statements and notes thereto for the year ended June 30, 2009 except for the following change in accounting policy:

#### **Change in Accounting Policy:**

Effective July 1, 2009, the Company adopted the recommendations of The Canadian Institute of Chartered Accountants' ("CICA") 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. Adoption of this standard had no impact on the Company's financial instrument related presentation disclosures.

#### **Recent Accounting Pronouncements Issued and Not Yet Applied**

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.

# RX Exploration Inc.

## Notes to Interim Consolidated Financial Statements

(unaudited - See Notice to Reader)

### 3. MINING CLAIMS AND DEFERRED EXPLORATION EXPENDITURES

	July 1, 2009	Additions	Write-off	March 31, 2010
Hard Rock Claims, MT <sup>(i)</sup>	\$7,582,079	\$3,154,452	\$ -	\$10,736,531
Placer Claims, MT <sup>(ii)</sup>	408,736	823	-	409,559
Van Koughnet Township Claims, ON <sup>(iii)</sup>	2,089,719	12,000	-	2,101,719
	<b>\$10,080,534</b>	<b>\$3,167,275</b>	<b>\$ -</b>	<b>\$13,247,809</b>

#### (i) 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 the final payment of \$240,000 on April 13, 2011.

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

#### (ii) 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 a 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 as a liability on the balance sheet for the year ended June 30, 2008. During the year ended June 30, 2009, this liability was applied against that year's 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.

# RX Exploration Inc.

## Notes to Interim Consolidated Financial Statements

(unaudited - See Notice to Reader)

---

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

#### (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 March 31, 2010 the Company has incurred and/or funded approximately \$2,001,300 in exploration expenditures towards the above agreements.

### 4. RECLAMATION BOND

As at March 31, 2010, 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 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.

# RX Exploration Inc.

## Notes to Interim Consolidated Financial Statements

(unaudited - See Notice to Reader)

### 5. CAPITAL STOCK

Authorized  
unlimited common shares

Issued

	Number of Shares	Amount
<b>Balance at June 30, 2009</b>	<b>68,207,578</b>	<b>6,572,952</b>
Units issued <sup>(i)</sup>	24,685,558	5,988,267
Options exercised <sup>(ii)</sup>	400,000	153,993
Warrants exercised <sup>(ii)</sup>	333,333	130,500
Allocated to warrants <sup>(i)</sup>	-	(2,325,215)
Share issue costs <sup>(i)</sup>	-	(740,720)
<b>Balance at March 31, 2010</b>	<b>93,626,469</b>	<b>\$9,779,777</b>

- (i) On July 8, 2009 the Company raised gross proceeds of \$783,000 by issuing 3,915,000 units. Between October 6 and November 6, 2009 the Company raised gross proceeds of \$2,051,800 by issuing 10,259,000 units. Between February 19 and March 24, 2010 the Company raised gross proceeds of \$3,153,467 by issuing 10,511,558 units. Each Unit consisted of one common share and one share purchase warrant. Each warrant entitled the holder to purchase a common share at \$0.40 for a period of 2 years (the expiry date shall be accelerated to 30 days from the tenth consecutive trading day on which the common shares of the Company close at or above \$0.60)
- The fair value of each warrant granted in the period has been estimated at the date of grant or the date when it became measurable using the Black Scholes option pricing model (Note 7).
  - Share issue costs of \$740,720 have been netted against the proceeds. Included in share issue costs is \$336,639 representing the fair value of 1,679,758 broker warrants issued in connection with the above financing.
- (ii) On September 23, 2009, 400,000 stock options were exercised at \$0.25 for gross proceeds of \$100,000. On December 10, 2009 333,333 warrants were exercised at \$0.15 for gross proceeds to \$50,000.

# RX Exploration Inc.

## Notes to Interim Consolidated Financial Statements

(unaudited - See Notice to Reader)

### 6. CONTRIBUTED SURPLUS

The following summarizes the change in contributed surplus:

	March 31, 2010	June 30, 2009 (audited)
Balance, beginning of period	\$ 993,163	\$ 682,802
Stock-based compensation expense (Note 9)	725,466	312,278
Options exercised	(53,992)	-
Expired warrants	388,300	-
Premium on repurchase of shares	-	(1,917)
Balance, end of period	<b>\$2,052,937</b>	\$ 993,163

### 7. SHARE PURCHASE WARRANTS

The following summarizes the change in share purchase warrants:

	March 31, 2010	June 30, 2009 (audited)
Balance, beginning of year	\$6,574,042	\$4,879,622
Warrants granted (Note 5(i))	2,661,854	1,694,420
Warrants exercised allocated to share capital (Note 5(ii))	(80,500)	-
Warrants expired allocated to contributed surplus (Note 6)	(388,300)	-
Balance, end of year	<b>\$8,767,096</b>	\$6,574,042

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%; (ii) expected volatility of 105%; (iii) risk-free interest rate of 1.40% and; (iv) expected life of 2 years.

# RX Exploration Inc.

## Notes to Interim Consolidated Financial Statements

(unaudited - See Notice to Reader)

---

### 8. STOCK OPTIONS AND WARRANTS

#### (i) Stock Options

The Company had the following stock options outstanding as of March 31, 2010:

<b>Number of Options</b>	<b>Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
400,000	400,000	\$0.15	November 10, 2011
400,000	400,000	\$0.70	May 22, 2010
200,000	200,000	\$0.70	August 22, 2010
1,350,000	1,350,000	\$0.25	January 28, 2012
200,000	200,000	\$0.25	February 4, 2012
670,000	670,000	\$0.44	January 8, 2013
300,000	300,000	\$0.37	January 12, 2013
3,050,000	3,050,000	\$0.32	January 29, 2013
<b>6,570,000</b>	<b>6,570,000</b>		

Subsequent to March 31, 2010, 1,000,000 Options were exercised for gross proceeds of \$313,000 and 250,000 options were cancelled as a result of termination of contract.

# RX Exploration Inc.

## Notes to Interim Consolidated Financial Statements (unaudited - See Notice to Reader)

---

### 8. STOCK OPTIONS AND WARRANTS (Cont'd)

#### (ii) Warrants

The Company had the following warrants outstanding as of March 31, 2010:

Number of Warrants	Exercise Price	Expiry Date
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 19, 2011
5,000 (i)	\$ 0.20	January 19, 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 25, 2011
325,500 (i)	\$ 0.20	June 25, 2011
2,100,000 (ii)	\$ 0.40	July 8, 2011
1,815,000 (ii)	\$ 0.40	July 8, 2011
210,000 (i)	\$ 0.20	July 8, 2011
750,000 (ii)	\$ 0.40	October 6, 2011
5,027,000 (ii)	\$ 0.40	October 29, 2011
502,700 (i)	\$ 0.20	October 29, 2011
750,000 (ii)	\$ 0.40	November 4, 2011
2,477,000 (ii)	\$ 0.40	November 5, 2011
247,700 (i)	\$ 0.20	November 5, 2011
1,255,000 (ii)	\$ 0.40	November 6, 2011
3,009,994 (ii)	\$ 0.40	February 19, 2012
300,999 (i)	\$ 0.30	February 19, 2012
706,000 (ii)	\$ 0.40	March 1, 2012
2,615,166 (ii)	\$ 0.40	March 2, 2012
111,000 (i)	\$ 0.30	March 2, 2012
1,723,265 (ii)	\$ 0.40	March 18, 2012
172,326	\$ 0.30	March 18, 2012
1,106,800 (ii)	\$ 0.40	March 23, 2013
1,350,333 (ii)	\$ 0.40	March 24, 2012
135,033 (i)	\$ 0.30	March 24, 2012

---

64,400,816

---

# RX Exploration Inc.

## Notes to Interim Consolidated Financial Statements

(unaudited - See Notice to Reader)

---

### 8. STOCK OPTIONS AND WARRANTS (Cont'd)

#### (ii) Warrants (Cont'd)

- (i) These are broker warrants issued in connection with the Company's financings.
- (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 \$0.60.

Subsequent to March 31, 2010, 399,150 warrants were exercised for gross proceeds of \$137,160, of which 109,150 of these warrants were broker warrants. The Company has extended the exercise date of certain common share purchase warrants until September 30, 2010, or later. Previously, the warrant expiry date could have been accelerated to thirty days from the tenth consecutive trading day on which the common shares of the Company closed at or above a price of \$0.60 per share (Note 14(vii)).

### 9. STOCK-BASED COMPENSATION

The total stock based compensation relating to options issued pursuant to the stock option plan recognized during the period ended March 31, 2010 was \$725,466 (2009 - \$268,725).

The fair value of each option granted in the period 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 \$0.17 using the Black-Scholes option pricing model with the following weighted average assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 126%; (iii) risk free interest rate of 2.3% and; (iv) expected life of 3 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.

### 10. 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.

# RX Exploration Inc.

## Notes to Interim Consolidated Financial Statements

(unaudited - See Notice to Reader)

---

### 10. CAPITAL RISK MANAGEMENT (Cont'd)

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 nine months ended March 31, 2010.

### 11. 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) 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 nature of cash held or by entering into foreign exchange contracts with Canadian chartered banks.

As at March 31, 2010 the Company held \$158,129 of cash in US dollars and had \$48,723 of accounts payable and accrued liabilities in US dollars.

The above balances were translated into Canadian dollars at the quarter-end rate of \$1.0165 (June 30, 2009 – \$1.1679) US dollars to every Canadian dollar.

A 5% decrease in the Canadian dollar would increase the net loss by approximately \$5,600.

# RX Exploration Inc.

## Notes to Interim Consolidated Financial Statements

(unaudited - See Notice to Reader)

---

### 11. 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 nine months ended March 31, 2010.

#### (b) 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 March 31, 2010, the Company has current liabilities of \$314,431 (2009 - \$1,151,627) due within 12 months and has cash of \$2,960,696 (2009 - \$1,265,080) to meet its current obligations. As a result, the Company has a working capital surplus of \$2,879,546 (2009 - \$113,453). Management will continue to raise capital to fund the Company's exploration, development and feasibility expenditures and for general and administrative costs.

### 12. 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 \$Nil (2009 - \$39,008) of fees paid to the Company's legal counsel who is a significant shareholder and director of the Company.

Included in accounts payable and accrued liabilities is \$52,000 (2009 - \$157,777) due to the Company's legal counsel who is a significant shareholder and director of the Company and \$20,000 (2009 - \$Nil) due to a company controlled by significant shareholders and \$2,500 (2009 - \$Nil) due to a company controlled by a director of the Company.

# RX Exploration Inc.

## Notes to Interim Consolidated Financial Statements

(unaudited - See Notice to Reader)

---

### 12. RELATED PARTY TRANSACTIONS (Cont'd)

Included in capital stock is \$9,153 (2009 - \$Nil) of share issuance costs paid to the Company's legal counsel who is a significant shareholder and director of the Company.

Included in professional and consulting fees are \$4,522 (2009 - \$96,626) of fees paid to the Company's legal counsel who is a significant shareholder and director of the Company and \$180,000 (2009 - \$Nil) in management fees paid to a company controlled by significant shareholders and \$7,500 (2009 - \$Nil) of fees paid to a company controlled by a director of the Company.

Included in office and general are \$34,919 (2009 - \$30,033) in payments to a company controlled by a significant shareholder, related to rent and reimbursements and \$12,132 (2009 - \$Nil) paid to a company controlled by a director of the Company.

### 13. CONTINGENCY

Pursuant to the flow through share issuance in a 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 3(iii)), which were renounced in relation to the flow through share issuance 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.

### 14. SUBSEQUENT EVENTS

(i) On April 1, 2010 the Company extended the term of 12,500,000 share purchase warrants issued as part of a private placement completed in 2008. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.60. The warrants originally set to expire between April 3 and June 30, 2010 have been extended for a further 12 months from the original expiry date. All other terms, including the exercise price, remain unchanged.

(ii) On April 8, 2010, a total of 833,334 Units were issued at a price of \$0.30 per Unit. Each Unit consisted of one common share and one share purchase warrant, each warrant entitles 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 the Company close at or above \$0.60). Share issue costs of \$22,500 were incurred and 83,333 broker warrants were issued as a result of this transaction.

# RX Exploration Inc.

## Notes to Interim Consolidated Financial Statements

(unaudited - See Notice to Reader)

---

### 14. SUBSEQUENT EVENTS (Cont'd)

(iii) On April 22, 2010, 3,125,000 stock options were granted to directors and consultants for the Company. The options are for 3 years with an exercise price of \$0.50 per unit. The weighted average fair value of the options granted was estimated at \$0.36 using the Black-Sholes option pricing model with the following weighted average assumptions (i) expected dividend yield of 0%; (ii) expected volatility of 122%; (iii) risk free interest rate of 2.87%; (iv) expected life of 3 years.

(iv) On April 27, 2010 a total of 7,611,878 Units were issued at a price of \$0.30 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 The Company close at or above \$0.60). Share issue costs of \$171,666 were incurred and 635,800 broker warrants were issued as a result of this transaction. As of March 31, 2010, \$403,500 was received in deposits on this subscription.

(v) On April 29, 2010 the Company has entered into an agreement to acquire a package of mineral claims immediately adjacent to the south-west boundary of the current Drumlummon Gold Project holdings, Marysville, Montana. This acquisition will increase the Company's ground position significantly at Drumlummon and is comprised of 22 patented claims and 50 federal claims covering about 1,000 acres (405 hectares). The package of mineral claims acquired is called the Bald Butte Property. The total purchase price of the Bald Butte property will be US\$5,000,000 if the acquisition is fully completed, plus a 2% net smelter royalty. The purchase price is to be paid in annual installments over the next 35 years, with RX being required to pay US\$55,000 this year and annual payments rising to \$150,000 at year five and thereafter. On April 21, 2010 the Company paid the required US\$55,000 annual payment.

(vi) On May 5, 2010, the Company issued 535,500 common shares pursuant to certain private placement financings which took place on June 30 and July 8, 2009 as liquidated damages in the event that the common shares of the Company are not listed on the Toronto Stock Exchange or the TSX Venture Exchange within four months of the closing of the financings.

(vii) On May 10, 2010 the Company approved the deferral of the Company's right to accelerate the exercise date of certain common share purchase warrants until September 30, 2010, or later. Previously, the warrant expiry date could have been accelerated to thirty days from the tenth consecutive trading day on which the common shares of the Company closed at or above a price of \$0.60 per share. In all other respects, the terms of the warrants remain the same.

(viii) On May 13, 2010, a total of 5,000,000 Units were issued at a price of \$0.50 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 \$0.70 per common share. Share issue costs of \$125,000 were paid and 250,000 broker warrants were issued.