ROCKY MOUNTAIN RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2009

AUDITORS' REPORT

To the Shareholders of
Rocky Mountain Resources Corp.

We have audited the consolidated balance sheets of Rocky Mountain Resources Corp. as at February 28, 2009 and February 29, 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2009 and February 29, 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

May 19, 2009

ROCKY MOUNTAIN RESOURCES CORP.
CONSOLIDATED BALANCE SHEETS

	February 28, 2009	February 29, 2008
ASSETS		
Current		
Cash	$ 231,532	$ 2,215,100
Amounts receivable	9,420	30,826
Prepaid expenses	6,746	5,020
	247,698	2,250,946
Equipment (Note 5)	55,674	5,495
Reclamation deposit	53,060	11,521
Mineral properties (Note 6)	757,025	437,570
	$ 1,113,457	$ 2,705,532
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 219,529	$ 65,584
Shareholders' equity		
Capital stock (Note 7)	4,416,820	4,224,531
Subscriptions received	240,000	-
Contributed surplus (Note 7)	436,273	320,504
Deficit	(4,199,165)	(1,905,087)
	893,928	2,639,948
	$ 1,113,457	$ 2,705,532

Continuance of operations (Note 2)
Subsequent event (Note 14)

On behalf of the Board:

"Brian J. McAlister" Director *"Brian E. Bayley"* Director

The accompanying notes are an integral part of these consolidated financial statements.

ROCKY MOUNTAIN RESOURCES CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

	February 28, 2009	February 29, 2008
EXPLORATION EXPENDITURES (Note 6)	$ 1,300,610	$ 852,161
EXPENSES		
Amortization	18,753	1,935
Bank charges and interest	1,557	674
Consulting	33,756	-
Insurance	5,149	-
Investor relations and shareholder information	70,658	1,420
Office and sundry	36,047	8,771
Office facilities and administrative services	66,300	36,205
Professional fees	95,365	59,295
Property review costs	7,635	80,556
Salaries and benefits	424,615	44,985
Stock-based compensation	164,858	267,696
Transfer agent, listing and filing fees	24,409	13,686
Travel	91,202	3,163
	1,040,304	518,386
Loss before other items	(2,340,914)	(1,370,547)
OTHER ITEMS		
Interest income	24,088	56,104
Mineral properties abandoned (Note 6)	(64,467)	(95,946)
Foreign exchange gain (loss)	87,215	(19,675)
	46,836	(59,517)
Loss and comprehensive loss for the year	(2,294,078)	(1,430,064)
Deficit, beginning of year	(1,905,087)	(475,023)
Deficit, end of year	$ (4,199,165)	$ (1,905,087)
Basic and diluted loss per common share	$ (0.16)	$ (0.11)
Weighted average number of common shares outstanding	14,619,687	12,953,170

The accompanying notes are an integral part of these consolidated financial statements.

ROCKY MOUNTAIN RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	February 28, 2009	February 29, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,294,078)	$ (1,430,064)
Items not involving cash:		
Amortization	18,753	1,935
Mineral properties abandoned	64,467	95,946
Stock-based compensation	164,858	267,696
Changes in non-cash working capital balances:		
Amounts receivable	21,406	(29,193)
Prepaid expenses	(1,726)	36,690
Accounts payable and accrued liabilities	153,945	3,824
Net cash used in operating activities	(1,872,375)	(1,053,166)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property acquisition costs	(383,922)	(302,729)
Reclamation deposit	(41,539)	(11,521)
Purchase of equipment	(68,932)	(4,094)
Net cash used in investing activities	(494,393)	(318,344)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions received	240,000	-
Subscriptions receivable	-	9,000
Exercise of warrants	143,200	95,950
Capital stock issued for cash, net of share issuance costs	-	2,236,364
Net cash provided by financing activities	383,200	2,341,314
Change in cash for the year	(1,983,568)	969,804
Cash, beginning of year	2,215,100	1,245,296
Cash, end of year	$ 231,532	$ 2,215,100

Supplemental disclosure with respect to cash flows (Note 10)

The accompanying notes are an integral part of these consolidated financial statements.

1. INCORPORATION

Rocky Mountain Resources Corp. (the "Company") was incorporated under the *Canada Business Corporations Act* on March 2, 2006. On September 12, 2006, the Company changed its name from Rocky Mountain Platinum Corp. to Rocky Mountain Resources Corp. Its principal business activities include the acquisition and exploration of mineral properties.

2. CONTINUANCE OF OPERATIONS

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

	February 28, 2009	February 29, 2008
Working capital	$ 28,169	$ 2,185,362
Deficit	(4,199,165)	(1,905,087)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include the accounts of the Company and its wholly-owned U.S. subsidiary, RMP Resources Corp. All significant intercompany transactions and balances have been eliminated.

Use of estimates

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Foreign currency translation

Transactions and account balances originally stated in currencies other than the Canadian dollar have been translated into Canadian dollars using the temporal method of foreign currency translation as follows:

- Revenue and expense items at the rate of exchange in effect on the dates they occur.
- Non-monetary assets and liabilities at historical exchange rates, unless such items are carried at market value, in which case they are translated at the exchange rate in effect on the balance sheet date.
- Monetary assets and liabilities at the exchange rate in effect at the balance sheet date.

Exchange gains and losses are recorded in the statement of operations in the period in which they occur.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over three to five years, which represents the estimated useful lives of the assets.

Mineral properties

All costs related to the acquisition of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Exploration expenditures, net of recoveries, are charged to operations as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties (cont'd…)

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

Share capital

The Company records proceeds from share issuances, net of issue costs. Shares issued for consideration other than cash are valued at the quoted market price on the date the agreement to issue the shares was reached.

Stock-based compensation

The Company uses the fair value based method for measuring stock-based compensation costs.

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading. Amounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities, which are measured at amortized cost.

4. CHANGES IN ACCOUNTING POLICIES

The Company adopted the new standards announced by the Canadian Institute of Chartered Accountants (CICA):

Financial instruments

Effective March 1, 2008, the Company implemented the new CICA accounting sections: 3862 (Financial Instruments – Disclosure), 3863 (Financial Instruments – Presentation), which replaced section 3861 Financial Instruments – Disclosures and Presentation. These new standards revise and enhance the disclosure requirements, and carry forward, substantially unchanged, the presentation requirements. Sections 3862 and 3863 emphasize the significance of financial instruments for the entity's financial position and performance, the nature and extent of the risks arising from financial instruments, and how these risks are managed. These new standards are applicable to interim and annual periods relating to fiscal years beginning on or after October 1, 2007. The disclosure required by these new sections is in Note 12.

Capital disclosures

Effective March 1, 2008, the Company implemented the new CICA accounting section 1535 (Capital Disclosures). Section 1535 specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The disclosure required by this new section is in Note 13.

Assessing going concern

The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The disclosure required by this section is in Note 2.

New accounting pronouncements

International financial reporting standards ("IFRS")

In addition to the above new accounting pronouncements the AcSB in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of March 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. CHANGES IN ACCOUNTING POLICIES (cont'd…)

Goodwill and intangible assets

The CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after January 1, 2009. Management is currently assessing the impact of this new accounting standard on its consolidated financial statements.

Business combinations, consolidated financial statements and non-controlling interest

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

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

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

5. EQUIPMENT

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Field equipment	$ 30,955	$ 7,446	$ 23,509	$ 3,700	$ 1,039	$ 2,661
Office equipment	45,771	13,606	32,165	4,094	1,260	2,834
	$ 76,726	$ 21,052	$ 55,674	$ 7,794	$ 2,299	$ 5,495

6. MINERAL PROPERTIES

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.

The summary of mineral property acquisitions is as follows:

	Gibellini	Lake Owen	Good-springs	Paris Foothills	Other Regional	Total
Acquisition costs						
As at February 28, 2007	$ 191,023	$ 39,764	$ -	$ -	$ -	$ 230,787
Additions	178,324	56,182	38,130	30,093	-	302,729
Written off	-	(95,946)	-	-	-	(95,946)
As at February 29, 2008	369,347	-	38,130	30,093	-	437,570
Additions	126,452	-	26,337	227,616	3,517	383,922
Written-off	-	-	(64,467)	-	-	(64,467)
As at February 28, 2009	$ 495,799	$ -	$ -	$ 257,709	$ 3,517	$ 757,025

During the year ended February 28, 2009, the exploration expenditures on the Company's mineral properties were incurred as follows:

	Gibellini	Good-springs	Paris Foothills	Other Regional	Total 2009
Exploration expenditures					
Assays and analysis	$ 51,017	$ 6,403	$ 78,282	$ -	$ 135,702
Drilling	121,208	-	182,969	-	304,177
Engineering and consulting	37,006	10,240	321,306	-	368,552
Equipment rental	13,230	3,220	4,461	-	20,911
Field office and supplies	18,516	388	32,890	-	51,794
Property maintenance and taxes	20,745	1,798	16,747	752	40,042
Reclamation	16,157	-	-	-	16,157
Reproduction and drafting	7,516	-	24,955	-	32,471
Scoping study	277,767	-	-	-	277,767
Travel and accommodation	14,922	1,941	34,282	1,892	53,037
	$ 578,084	$ 23,990	$ 695,892	$ 2,644	$ 1,300,610

6. MINERAL PROPERTIES (cont'd…)

During the year ended February 29, 2008, the exploration expenditures on the Company's mineral properties were incurred as follows:

	Gibellini	Lake Owen	Good-springs	Other Regional	Total 2008
Exploration expenditures					
Assays and analysis	$ 64,353	$ 81,008	$ 2,418	$ 406	$ 148,185
Drilling	248,013	-	-	-	248,013
Engineering and consulting	104,736	61,273	13,886	3,014	182,909
Environmental consulting	660	1,458			2,118
Field office and supplies	25,414	7,240	350	115	33,119
Labour	3,706	27,789	-		31,495
Legal	2,134	-	4,679	1,603	8,416
Property maintenance and taxes	24,948	82,377	33,573	-	140,898
Reproduction and drafting	6,020	244	1,134	1,676	9,074
Travel and accommodation	21,204	21,954	2,726	2,050	47,934
	$ 501,188	$ 283,343	$ 58,766	$ 8,864	$ 852,161

a) Gibellini Property, Nevada, U.S.

During the 2007 fiscal period, the Company entered into a Mineral Lease Agreement to acquire 41 unpatented lode mining claims for a series of quarterly payments as advances upon the royalties payable:

US$60,000 (paid)	Upon execution of Agreement
US$30,000 (paid $90,000)	Quarterly on or before September 1, 2006 to March 1, 2007
US$30,000 (paid $120,000)	Quarterly from June 1, 2007 to March 1, 2008
US$30,000 (paid $90,000)	On or before June 1, 2008 and quarterly thereafter

The Company is required to pay a production royalty of 2.5% of the net smelter returns ("NSR") of all mineral substances produced from the claims, until royalty payments reach a total of US$3,000,000, then the production royalty decreases to 2.0%. Any advance royalties paid will be credited against the actual production royalties.

During the 2007 fiscal period, the Company entered into a Mineral Lease Agreement to acquire 4 unpatented lode mining claims for a series of annual payments as advances upon the royalties payable:

US$9,000 (paid)	Upon execution of Agreement
US$12,000 (paid)	On or before December 30, 2007
US$15,000 (paid)	On or before December 30, 2008
US$20,000	On or before December 30, 2009
US$24,000	On or before December 30, 2010 and annually thereafter

6. MINERAL PROPERTIES (cont'd…)

a) Gibellini Property, Nevada, U.S. (cont'd…)

The Company is required to pay an initial production royalty payment of US$30,000 within 60 days of production from the claims and a production royalty of 3.0% of NSR of all mineral substances produced from the claims. Further, the Company has the option to purchase these claims for a total purchase price of US$1,000,000. Any advance royalties paid will be credited against the purchase price.

On April 16, 2007, the Company entered into a Mineral Lease Agreement to acquire 17 unpatented lode mining claims in Nevada, U.S. for a series of annual payments as advances upon the royalties payable:

US$10,000 (paid)	Upon execution of Agreement
US$10,000 (paid)	On or before April 16, 2008
US$10,000 (paid)	On or before April 16, 2009
US$15,000	On or before April 16, 2010 and annually thereafter

The Company is to pay a production royalty of 2.5% of the net smelter returns of all mineral substances produced from the claims, until royalty payments reach a total of US$1,000,000, then the production royalty is dropped. Further, the Company has the option to purchase these claims for a total purchase price of US$1,000,000. Any advance royalties paid will be credited against the purchase price.

The Company acquired an additional 80 claims through the staking process.

b) Goodsprings Property, Nevada, U.S.

During the prior year, the Company entered into a Mineral Lease Agreement to acquire 3 unpatented lode mining claims for a 3% net smelter royalty and a series of annual payments as advances upon royalties payable:

US$15,000 (paid)	Upon execution of Agreement
US$ 5,000	On or before December 10, 2010
US$ 6,000	On or before December 10, 2011
US$10,000	On or before December 10, 2012 and annually thereafter

The Company acquired an additional 454 claims through the staking process.

The Company decided not to proceed with the Goodsprings project, as efforts to attract a joint venture partner were unsuccessful. Acquisition costs of $64,467 were written off.

6. MINERAL PROPERTIES (cont'd…)

c) Paris Foothills Property, Idaho, U.S.

On December 18, 2007, the Company entered into a Mineral Lease Agreement to acquire rights to explore certain mineral properties in Bear Lake County, Idaho for a series of annual payments and advances upon the royalties payable as follows:

US$25,000 (paid)	Upon execution of Agreement
US$25,000 (paid)	On or before December 18, 2008 and annually thereafter

The Company is to pay a production royalty to the Lessor of 3% of net smelter returns from any mineral substances produced and sold from the property.

On June 18, 2008, the Company was granted exploration permits for three tracts of land owned by the State of Idaho and administered by the Idaho Department of Lands. The permits grant the Company permission to conduct exploration activities on the state lands for a period of 2 ½ years, until December 31, 2010. A one time fee of $500 was paid for each permit, and each permit required the Company to post a $10,000 bond.

On August 9, 2008, the Company entered into two more Mineral Lease Agreements to acquire rights to explore certain mineral properties in Bear Lake County, Idaho for a series of annual payments and advances upon the royalties payable as follows:

US$25,000 (paid)	Signing bonus upon execution of Agreement
US$60,000 (paid)	Upon execution of Agreement
US$60,000	On or before August 9, 2009 to 2012
US$80,000	On or before August 9, 2013 to 2017
US$100,000	On or before August 9, 2018 and annually thereafter

The Company is to pay a production royalty to the Lessor of 5% of the gross revenue received from the sale of all mineral substances owned by Lessor.

Mineral rights for phosphate rock on portions of the property leased under this agreement are reserved to the government of the United States. Production royalties on phosphate rock reserved to the government are paid based on a formula established and updated annually by the U.S. Bureau of Land Management. The amount of the royalty depends on the grade of phosphate rock mined.

US$6,000 (paid)	Signing bonus upon execution of Agreement
US$85,000 (paid)	Upon execution of Agreement
US$85,000	On or before August 9, 2009 to 2011
US$105,000	On or before August 9, 2012 to 2017
US$125,000	On or before August 9, 2018 and annually thereafter

6. MINERAL PROPERTIES (cont'd…)

c) Paris Foothills Property, Idaho, U.S. (cont'd…)

The Company is to pay a production royalty to the Lessor of 5% of the gross revenue received from the sale of all mineral substances owned by Lessor.

A portion of the mineral rights of the property leased in this agreement are reserved to the State of Idaho. The production royalty for phosphate rock mined from lands where the state owns mineral rights would be calculated using the same formula applied by the federal government.

7. CAPITAL STOCK

	Number of Shares		Amount		Contributed Surplus
Authorized					
Unlimited common shares, without par value					
As at February 28, 2007	11,729,000	$	1,945,025	$	-
Initial public offering	2,500,000		2,500,000		-
Share issue costs	-		(574,336)		85,700
Agent's commission and corporate finance fee	225,000		225,000		-
Exercise of agent's warrants	95,950		128,842		(32,892)
Stock options granted	-		-		267,696
As at February 29, 2008	14,549,950		4,224,531		320,504
Exercise of agent's warrants	143,200		192,289		(49,089)
Stock options granted	-		-		164,858
As at February 28, 2009	14,693,150	$	4,416,820	$	436,273

On September 19, 2007, the Company completed its initial public offering of 2,500,000 common shares at $1.00 per share for gross proceeds of $2,500,000. The Agent received a commission of 175,000 common shares and a corporate finance fee of 50,000 common shares at a fair value of $1.00 per share. The Company also issued agents' warrants to acquire 250,000 common shares at $1.00 per share until September 18, 2008. The fair value ($85,700) of these agents' warrants is included in the share issuance costs.

Escrow shares

As at February 28, 2009 there were 1,987,500 common shares held in escrow. These shares were released subsequent to year end.

7. CAPITAL STOCK (cont'd…)

Agents warrants outstanding

Expiry Date	Exercise price	Balance, February 29, 2008	Exercised	Expired	Balance, February 28, 2009
September 18, 2008	$1.00	154,050	(143,200)	(10,850)	-
Weighted average exercise price		$1.00	$1.00	$1.00	-

Expiry Date	Exercise price	Balance, February 28, 2007	Granted	Exercised	Balance, February 29, 2008
September 18, 2008	$1.00	-	250,000	(95,950)	154,050
Weighted average exercise price		-	$1.00	$1.00	$1.00

Stock options

The Company adopted an incentive stock option plan which 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, employees 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. Such options will be exercisable for a period of up to 5 years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

Expiry Date	Exercise price	Balance, February 29, 2008	Granted	Exercised	Balance, February 28, 2009
February 12, 2013	$1.30	690,000	-	-	690,000
October 16, 2013	$1.00	-	100,000	-	100,000
December 17, 2013	$0.40	-	25,000	-	25,000
		690,000	125,000	-	815,000
Stock options exercisable		-			501,667
Weighted average exercise price		$1.30	$0.88	-	$1.24

7. CAPITAL STOCK (cont'd…)

Stock options (cont'd…)

Expiry Date	Exercise price	Balance, February 28, 2007	Granted	Exercised	Balance, February 29, 2008
February 12, 2013	$1.30	-	690,000	-	690,000
Stock options exercisable		-			300,000
Weighted average exercise price		-	$1.30	-	$1.30

During the year ended February 29, 2008, the Company granted stock options to purchase up to 690,000 shares of the Company. Of these options, 650,000 are subject to vesting provisions (40% immediately and as to 20% on each of the next three anniversaries from the date of grant).

During the year ended February 28, 2009, the Company granted stock options to purchase up to 125,000 shares of the Company. Of these options, 100,000 are subject to vesting provisions (40% immediately and as to 20% on each of the next three anniversaries from the date of grant).

During the year, the Company recorded stock-based compensation of $164,858 with offsetting amounts credited to contributed surplus. The weighted average grant date fair value of the options for the year ended February 28, 2009 was $0.66 per option.

The fair value of the stock options has been estimated using the Black-Scholes option pricing model. Assumptions used in the pricing model are as follows:

	2009	2008
Risk free interest rate	2.75%	3.41%
Annual dividends	--	--
Expected stock price volatility	102%	85%
Expected life	5 years	5 years

8. RELATED PARTY TRANSACTIONS

During the year ended February 28, 2009, $48,000 (February 29, 2008 - $27,000) was paid to a company with a director and officer in common, for office facilities and administrative services. Included in accounts payable and accrued liabilities at February 28, 2009 is $8,653 (February 29, 2008 - $4,355) payable to this related company.

In addition, the Company paid $nil (February 29, 2008 - $9,304) to a company with four directors in common, for various administrative office services provided in the United States. Included in accounts payable and accrued liabilities at February 28, 2009 is $Nil (February 29, 2008 - $2,154) payable to this related company.

Further, the Company paid $Nil (February 29, 2008 - $1,464) to a director, for administrative office services provided in the United States.

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	February 28, 2009	February 29, 2008
Loss for the year	$ (2,294,078)	$ (1,430,064)
Expected income tax-recovery	$ (705,429)	$ (487,938)
Non-deductible items	56,460	91,338
Share issue costs	(16,214)	(17,991)
Differences in foreign tax rates	(63,139)	-
Unrecognized benefit of non-capital losses	728,322	414,591
Total income tax recovery	$ -	$ -

The significant components of the Company's future income tax assets are as follows:

	February 28, 2009	February 29, 2008
Future income tax assets:		
Non-capital loss carryforwards	$ 963,328	$ 427,859
Share issue costs	39,545	56,945
Valuation allowance	(1,002,873)	(484,804)
Net future income tax assets	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses of approximately $3,853,000. These losses, if not utilized, will expire through to 2029. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	February 28, 2009	February 29, 2008
Cash received for interest	$ 24,088	$ 56,104
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd…)

The significant non-cash transactions were as follows:

	2009	2008
Shares issued to agent as share issuance costs	$ -	$ 225,000
Fair value of agent's warrants issued	-	85,700
Reclassification upon exercise of agent's warrants	49,089	32,892

11. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. Geographical information is as follows:

	Canada	United States	2009
Net Loss	$ 351,335	$ 1,942,743	$ 2,294,078
Equipment	-	55,674	55,674
Mineral Properties	-	757,025	757,025
Total assets	195,990	917,467	1,113,457

	Canada	United States	2008
Net Loss	$ 297,775	$ 1,132,289	$ 1,430,064
Equipment	-	5,495	5,495
Mineral Properties	-	437,570	437,570
Total assets	2,088,632	616,900	2,705,532

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at February 28, 2009, the Company's financial instruments are comprised of cash, amounts receivable and accounts payable and accrued liabilities. The fair value of cash, amounts receivable and accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States. A portion of the Company's expenses are incurred in US dollars. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at February 28, 2009, cash totalling $37,564 (2008 - $640,262) was held in US dollars.

Based on the above net exposure as at February 28, 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in a an increase/decrease of approximately $3,756 in the Company's loss.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that these sources will be sufficient to cover the likely short term cash requirements and further funding will be required to meet long-term requirements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in short-term interest bearing accounts, management considers the interest rate risk to be limited.

13. 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 resource 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 upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and will attempt to raise additional funds as needed.

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

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13. CAPITAL MANAGEMENT (cont'd…)

There were no changes in the Company's approach to capital management during the year ended February 28, 2009. The Company is not subject to externally imposed capital requirements.

14. SUBSEQUENT EVENT

Subsequent to year-end the Company closed a private placement of 2,045,666 units at a price of $0.30 per unit for gross proceeds of $613,700. Each unit consists of one common share and one common share purchase warrant exercisable at $0.40 per share until October 3, 2010. A portion of the proceeds was included in subscriptions received at year-end.