ROCKY MOUNTAIN RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2010

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, 2010 and 2009 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, 2010 and 2009 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

June 1, 2010

ROCKY MOUNTAIN RESOURCES CORP.
CONSOLIDATED BALANCE SHEETS
AS AT FEBRUARY 28

		2010		2009
ASSETS				
Current				
Cash	$	1,076,988	$	231,532
Amounts receivable		9,764		9,420
Prepaid expenses		367		6,746
Short-term investments (Note 5)		3,000,000		-
		4,087,119		247,698
Equipment (Note 6)		18,100		55,674
Reclamation deposit		43,893		53,060
Mineral properties (Note 7)		696,833		757,025
	$	4,845,945	$	1,113,457
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	71,981	$	219,529
Income tax payable		499,938		-
		571,919		219,529
Shareholders' equity				
Capital stock (Note 8)		5,343,455		4,416,820
Subscriptions received		-		240,000
Contributed surplus (Note 8)		699,571		436,273
Deficit		(1,769,000)		(4,199,165)
		4,274,026		893,928
	$	4,845,945	$	1,113,457

Continuance of operations (Note 2)

On behalf of the Board:

Signed: "William Radvak" Director *Signed: "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
YEAR ENDED FEBRUARY 28

	2010	2009
EXPLORATION EXPENDITURES (Note 7)	$ 75,808	$ 1,300,610
EXPENSES		
Amortization	13,267	18,753
Bank charges and interest	5,412	1,557
Consulting	1,393	33,756
Insurance	-	5,149
Investor relations and shareholder information	4,618	70,658
Office and sundry	15,408	36,047
Office facilities and administrative services	80,257	66,300
Professional fees	66,316	95,365
Property review costs	822	7,635
Salaries and benefits	169,115	424,615
Stock-based compensation (Note 8)	263,298	164,858
Transfer agent, listing and filing fees	19,101	24,409
Travel	16,839	91,202
	655,846	1,040,304
Loss before other items	(731,654)	(2,340,914)
OTHER ITEMS		
Interest income	290	24,088
Mineral properties abandoned (Note 7)	-	(64,467)
Gain on disposal of mineral properties (Note 7)	3,698,631	-
Loss on disposal of equipment	(20,124)	-
Foreign exchange gain	4,139	87,215
	3,682,936	46,836
Income (loss) before income taxes	2,951,282	(2,294,078)
Current income taxes (Note 10)	521,117	-
Income (loss) for the year	2,430,165	(2,294,078)
Deficit, beginning of year	(4,199,165)	(1,905,087)
Deficit, end of year	$ (1,769,000)	$ (4,199,165)
Basic income (loss) per common share	$ 0.15	$ (0.16)
Diluted income (loss) per common share	$ 0.15	$ (0.16)
Basic weighted average number of common shares outstanding	16,554,836	14,619,687
Diluted weighted average number of common shares outstanding (note 15)	16,673,755	14,619,687

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

ROCKY MOUNTAIN RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED FEBRUARY 28

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	$ 2,430,165	$ (2,294,078)
Items not involving cash:		
Amortization	13,267	18,753
Mineral properties abandoned	-	64,467
Stock-based compensation	263,298	164,858
Gain on sale of mineral properties	(3,698,631)	-
Loss on sale of equipment	20,124	-
Unrealized foreign change loss	6,670	-
Changes in non-cash working capital balances:		
Amounts receivable	(344)	21,406
Prepaid expenses	6,379	(1,726)
Accounts payable and accrued liabilities	(143,548)	153,945
Current income tax payable	499,938	-
Net cash used in operating activities	(602,682)	(1,872,375)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property acquisition costs	(201,034)	(383,922)
Sale of mineral properties (net of costs)	956,339	-
Mineral property recovery of costs	3,517	-
Reclamation deposit	-	(41,539)
Purchase of equipment	(2,977)	(68,932)
Sale of equipment	5,658	-
Net cash provided by (used in) investing activities	761,503	(494,393)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions received	-	240,000
Shares issued for cash, net of share issuance costs	686,635	143,200
Net cash provided by financing activities	686,635	383,200
Change in cash for the year	845,456	(1,983,568)
Cash, beginning of year	231,532	2,215,100
Cash, end of year	$ 1,076,988	$ 231,532

Supplemental disclosure with respect to cash flows (Note 11)

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 net 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.

	2010	2009
Working capital	$ 3,515,200	$ 28,169
Deficit	(1,769,000)	(4,199,165)

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.

Earnings (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 earnings (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.

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 and short-term investments as held-for-trading, and reclamation bond as held-to-maturity. Amounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other liabilities, which are measured at amortized cost.

CICA Handbook Section 3862, Financial Instruments – Disclosure was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

See note 13 for relevant disclosures.

4. CHANGES IN ACCOUNTING POLICIES

New accounting pronouncements

International financial reporting standards ("IFRS")

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.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", 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. SHORT-TERM INVESTMENTS

Short-term investments consist of 6,000,000 common shares (valued at $0.50 per share) of Stonegate Agricom Ltd.

6. EQUIPMENT

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Field equipment	$ 28,680	$ 12,427	$ 16,253	$ 30,955	$ 7,446	$ 23,509
Office equipment	2,794	947	1,847	45,771	13,606	32,165
	$ 31,474	$ 13,374	$ 18,100	$ 76,726	$ 21,052	$ 55,674

7. 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	Good-springs	Paris Foothills	Other Regional	Total
Acquisition costs					
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
Additions	201,034	-	-	-	201,034
Disposal	-	-	(257,709)	-	(257,709)
Recovery	-	-	-	(3,517)	(3,517)
As at February 28, 2010	$ 696,833	$ -	$ -	$ -	$ 696,833

7. MINERAL PROPERTIES (cont'd…)

During the year ended February 28, 2010, the exploration expenditures on the Company's mineral properties were incurred as follows:

	Gibellini	Good-springs	Paris Foothills	Other Regional	Total 2010
Exploration expenditures					
Assays and analysis	$ 789	$ -	$ -	$ -	$ 789
Engineering and consulting	5,570	-	15,860	-	21,430
Field office and supplies	13,314	-	7,332	-	20,646
Property maintenance and taxes	22,244	-	-	-	22,244
Reproduction and drafting	-	-	550	-	550
Travel and accommodation	3,216	-	6,933	-	10,149
	$ 45,133	$ -	$ 30,675	$ -	$ 75,808

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

7. MINERAL PROPERTIES (cont'd…)

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 US$90,000)	Quarterly on or before September 1, 2006 to March 1, 2007
US$30,000 (paid US$120,000)	Quarterly from June 1, 2007 to March 1, 2008
US$30,000 (paid US$210,000)	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 (paid)	On or before December 30, 2009
US$24,000	On or before December 30, 2010 and annually thereafter

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.

7. MINERAL PROPERTIES (cont'd…)

b) Goodsprings Property, Nevada, U.S.

During the year ended February 29, 2008, 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 in the year ended February 28, 2009.

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

7. 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 the 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

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 the 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.

In August 2009, the Company was obligated, but due to lack of funds, was unable to pay two advance royalties totaling US$145,000 on the Paris Foothills Property by November 1, 2009. This payment deadline was later extended to December 1, 2009.

Effective November 3, 2009, the Company sold the Paris Foothills Property for total consideration of $4,000,000 consisting of a cash payment of $1,000,000 and 6,000,000 common shares of Stonegate Agricom Ltd. valued at $0.50 per share. The purchaser of the property assumed responsibility for the advance royalty payments which were in default.

Included in the Paris Foothills Property were mineral claims located in Park County, Montana. On November 30, 2009, the Company sold those claims to an individual for cash consideration of US$30,000.

8. CAPITAL STOCK

	Number of Shares		Amount		Contributed Surplus
Authorized					
Unlimited common shares, without par value					
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
Shares issued for cash	3,245,665		973,700		-
Share issue costs	-		(47,065)		-
Stock options granted	-		-		263,298
As at February 28, 2010	17,938,815	$	5,343,455	$	699,571

Private placements

1) On April 3, 2009, the Company completed a non-brokered private placement of 2,045,666 common share 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 which entitles the holder to purchase one additional common share at a price of $0.40 per share until October 3, 2010.

2) On February 26, 2010, the Company completed a non-brokered private placement of 1,199,999 common share units at a price of $0.30 per unit for gross proceeds of $360,000. Each unit consists of one common share and one common share purchase warrant which entitles the holder to purchase one additional common share at a price of $0.40 per share until August 26, 2011.

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, February 29, 2008	154,050	$	1.00
Warrants exercised	(10,850)		1.00
Warrants expired	(143,200)		1.00
Balance, February 28, 2009	-		-
Warrants granted	3,245,665		0.40
Balance, February 28, 2010	3,245,665	$	0.40

8. CAPITAL STOCK

Warrants (cont'd…)

The following warrants were outstanding at February 28, 2010:

Number Outstanding	Exercise Price	Expiry Date
2,045,666	$ 0.40	October 3, 2010
1,199,999	0.40	August 26, 2011
3,245,665		

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.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, February 29, 2008	690,000	$	1.30
Options granted	125,000		0.88
Balance, February 28, 2009	815,000		1.24
Options granted	1,225,000		0.35
Options cancelled	(600,000)		1.25
Balance, February 28, 2010	1,440,000	$	0.48
Number of options currently exercisable	1,110,000	$	0.48

The following incentive stock options were outstanding and exercisable at February 28, 2010:

Number Outstanding	Exercise Price	Expiry Date
190,000	$ 1.30	February 12, 2013
25,000	0.40	December 17, 2013
25,000	0.35	February 26, 2015
1,200,000	0.35	January 21, 2015
1,440,000		

8. CAPITAL STOCK (cont'd…)

Stock options (cont'd…)

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 ended February 28, 2010, the Company granted stock options to purchase up to 1,225,000 shares of the Company. Of these options, 500,000 are subject to vesting provisions (40% immediately and 40% on first anniversary, remaining 20% on second anniversary from the date of grant).

During the year, the Company recorded stock-based compensation of $263,298 (2009 - $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, 2010 was $0.25 (2009 - $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:

	2010	2009
Risk free interest rate	2.50 %	2.75%
Annual dividends	--	--
Expected stock price volatility	111.99%	102%
Expected life	5 years	5 years

9. RELATED PARTY TRANSACTIONS

During the year ended February 28, 2010, $48,000 (2009 - $48,000) was paid to a company with a director and two officers in common, for office facilities and administrative services. Included in accounts payable and accrued liabilities at February 28, 2010 is $4,568 (2009 - $8,653) payable to this related company.

10. INCOME TAXES

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

	2010	2009
Income (loss) before income taxes	$ 2,951,282	$ (2,294,078)
Expected income tax (recovery)	$ 878,006	$ (705,429)
Non-deductible gain on disposal of mineral properties	(1,100,343)	-
Taxable gain on disposal of mineral properties	950,576	-
Non-deductible withholding tax	115,992	-
Other non-deductible items	79,695	56,460
Deductible share issue costs	(18,487)	(16,214)
Differences in foreign tax rates	221,638	(63,139)
Unrecognized (recognized) benefit of non-capital losses	(605,960)	728,322
Total income tax expenses	$ 521,117	$ -

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

	2010	2009
Future income tax assets:		
Non-capital loss carryforwards	$ 142,000	$ 963,000
Share issue costs	36,000	40,000
Mineral properties	330,000	337,000
Valuation allowance	(508,000)	(1,340,000)
Net future income tax assets	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses of approximately $569,000 (2009 - $3,853,000). These losses, if not utilized, will expire through to 2030. 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.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2010	2009
Cash paid for interest	$ 908	$ -
Cash paid for income taxes	$ -	$ -

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

The significant non-cash transactions were as follows:

	2010	2009
Proceeds on disposal of mineral properties received in shares	$ 3,000,000	$ -
Proceeds on disposal of equipment in accounts receivable	4,000	-
Reclassification upon exercise of agent's warrants	-	49,089

12. 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	2010
Net Income (loss)	$ (531,085)	$ 2,961,250	$ 2,430,165
Equipment	-	18,100	18,100
Mineral Properties	-	696,833	696,833
Total assets	3,657,470	1,188,475	4,845,945

	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

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at February 28, 2010, the Company's financial instruments are comprised of cash, short-term investments amounts receivable and accounts payable and accrued liabilities. The fair value of cash, short-term investments, 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.

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

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 1,076,988	$ -	$ -	$ 1,076,988
Short-term investments	-	3,000,000	-	3,000,000
Total	$ 1,076,988	3,000,000	-	$ 4,076,988

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, 2010, cash totalling $421,478 (2009 - $37,564) was held in US dollars.

Based on the above net exposure as at February 28, 2010, 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 $42,148 in the Company's income (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.

14. 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.

There were no changes in the Company's approach to capital management during the year ended February 28, 2010. The Company is not subject to externally imposed capital requirements.

15. EARININGS (LOSS) PER SHARE

A reconciliation of the numerators and the denominators of the basic and diluted per share computations is summarized as follows:

	2010		
	Income (numerator)	Shares (denominator)	Per Share Amount
Net income for the year	$ 2,430,165	-	-
Basic earnings per share			
Income available to common shareholders	$ 2,430,165	16,554,836	$0.15
Effect of dilutive securities			
Warrants	-	-	-
Stock options	-	118,919	-
Diluted earnings per share			
Income available to common shareholders + assumed conversions	$ 2,430,165	16,673,755	$0.15