STRONGBOW EXPLORATION INC.

FINANCIAL STATEMENTS

JULY 31, 2009

(Unaudited – Prepared by Management)

Reader's Note: These interim, financial statements for Strongbow Exploration Inc. ("Strongbow"), for the six months ended July 31, 2009 have been prepared by management and have not been subject to review by Strongbow's auditor.

STRONGBOW EXPLORATION INC.
INTERIM BALANCE SHEET

	July 31, 2009 (Unaudited)	January 31, 2009 (Audited)
ASSETS		
Current		
Cash and equivalents	$ 1,315,413	$ 1,079,697
Marketable securities (Note 4 and 5)	1,434,600	170,409
Receivables	78,749	205,285
Prepaid expenses	24,109	33,580
	2,852,871	1,488,971
Investments and advances to affiliates (Note 4 and 5)	-	311,803
Property and equipment (Note 6)	59,674	91,152
Mineral properties (Note 7)	11,592,117	11,917,050
	$ 14,504,662	$ 13,808,976
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 145,628	$ 134,543
Shareholders' equity		
Capital stock (Note 8)	21,303,488	22,447,793
Contributed surplus (Note 8)	3,237,226	3,168,652
Deficit	(11,105,744)	(11,973,706)
Accumulated other comprehensive income (Note 11)	924,064	31,694
	14,359,034	13,674,433
	$ 14,504,662	$ 13,808,976

Nature and continuance of operations (Note 1)
Commitments (Note 13)

On behalf of the Board:

"D. Grenville Thomas" Director *"Kenneth A. Armstrong"* Director

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

STRONGBOW EXPLORATION INC.
INTERIM STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)

	Three Months Ending		Six Months Ending	
	July 31, 2009	July 31, 2008	July 31, 2009	July 31, 2008
EXPENSES				
Advertising and promotion	$ 12,151	$ 44,468	$ 30,190	$ 85,293
Amortization	5,809	8,087	11,619	15,763
Insurance	7,389	19,950	13,191	33,295
Professional fees	18,973	17,171	35,528	54,669
Office, miscellaneous and rent	26,809	34,199	75,242	82,435
Regulatory and filing fees	2,825	5,988	9,882	14,591
Salaries and benefits	32,773	29,472	119,757	77,683
Stock-based compensation (Note 8)	24,604	124,941	68,574	261,560
Loss before other items	(131,333)	(284,276)	(363,983)	(625,289)
OTHER ITEMS				
Write-off of mineral properties (Note 7)	(2,562)	(4,279,558)	(132,418)	(4,319,409)
Interest income	5,221	10,197	69,595	27,760
Gain/(loss) on sale of marketable securities (Note 4)	-	(503,468)	22,570	(502,042)
Loss on reduction of leasehold improvements	-	-	(20,449)	-
Equity income/(loss) of affiliated company	-	(119,602)	-	26,509
	2,659	(4,892,431)	(60,702)	(4,767,182)
Loss before income taxes	(128,674)	(5,176,707)	(424,685)	(5,392,471)
Future income tax recovery (Note 10)	76,490	-	1,292,647	1,221,067
Net Income (loss) for the period	(52,184)	(5,176,707)	867,962	(4,171,404)
Deficit, beginning of period	(11,053,560)	(3,493,771)	(11,973,706)	(4,499,074)
Deficit, end of period	$ (11,105,744)	$ (8,670,478)	$ (11,105,744)	$ (8,670,478)
Basic and diluted income (loss) per share	$ (0.00)	$ (0.08)	$ 0.01	$ (0.07)
Weighted average number of shares outstanding	66,123,463	62,277,376	66,083,407	60,189,455

INTERIM STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(Unaudited – Prepared by Management)

	Three Months Ending		Six Months Ending	
	July 31, 2009	July 31, 2008	July 31, 2009	July 31, 2008
Net income (loss) for the period	$ (52,184)	$ (5,176,707)	$ 867,962	$ (4,171,404)
Unrealized gains (losses) on available for sale financial assets arising during the period	511,891	(331,459)	924,064	(331,459)
Comprehensive income (loss)	$ 459,707	$ (5,508,166)	$ 1,792,026	$ (4,502,863)

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

STRONGBOW EXPLORATION INC.
INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three Months Ending July 31, 2009	Three Months Ending July 31, 2008	Six Months Ending July 31, 2009	Six Months Ending July 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the period	$ (52,184)	$ (5,176,707)	$ 867,962	$ (4,171,404)
Items not involving cash:				
Amortization	5,809	8,087	11,619	15,763
Stock-based compensation	24,604	124,941	68,574	261,560
Write-off of mineral properties	2,562	4,279,558	132,418	4,319,409
Equity (income) loss from an affiliate	-	119,602	-	(26,509)
Loss (gain) on sale of marketable securities	-	503,468	(22,570)	502,042
Loss on reduction of leasehold improvements	-	-	20,449	-
Future income tax recovery	(76,490)	-	(1,292,647)	(1,221,067)
Changes in non-cash working capital items:				
(Increase) decrease in receivables	246,122	104,079	157,106	(4,292)
(Increase) decrease in prepaid expenses	(2,818)	11,441	9,471	22,761
Increase (decrease) in accounts payable and accrued liabilities	(7,220)	17,279	(30,810)	(3,249)
Net cash used in operating activities	140,385	(8,252)	(78,428)	(304,986)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock	-	3,851,001	-	3,859,155
Share issue costs	-	(370,508)	-	(373,662)
Net cash provided by financing activities	-	3,480,493	-	3,485,493
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditures on mineral properties	(153,689)	(3,335,241)	(297,434)	(5,196,906)
Recoveries on mineral properties	570,008	37,670	570,008	176,021
Acquisition of property and equipment	-	(2,459)	-	(2,458)
Investment and advances to affiliates	-	22,674	-	(16,409)
Proceeds from sale of marketable securities	-	518,491	41,570	524,251
Net cash provided (used in) by investing activities	416,319	(2,758,865)	314,144	(4,515,501)
Change in cash and equivalents during the period	556,704	713,376	235,716	(1,334,994)
Cash and equivalents, beginning of period	758,709	1,353,920	1,079,697	3,402,291
Cash and equivalents, end of period	$ 1,315,413	$ 2,067,297	$ 1,315,413	$ 2,067,297

Supplemental disclosure with respect to cash flows (Note 12)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company's principal business activity is the exploration of mineral properties. To date, the Company has not generated significant revenues from operations and is considered to be in the exploration stage.

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. However, the Company has sustained substantial losses from operations since inception and has no current source of revenue. Continued operations of the Company are dependent on the Company's ability to complete equity financings or generate profitable operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Management is monitoring its twelve-month rolling cash flow.

	July 31, 2009	January 31, 2009
Deficit	**$ (11,105,744)**	$ (11,973,706)
Working capital	**$ 2,707,243**	$ 1,354,428

2. BASIS OF PRESENTATION

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles for interim financial information using the same accounting policies and methods of application as the audited financial statements of the Company for the year ended January 31, 2009, except as described below under "Changes in accounting policies". These unaudited interim financial statements do not include all of the information and note disclosures required by generally accepted accounting principles for annual financial statements of the Company and should therefore be read in conjunction with the audited financial statements of the Company as at January 31, 2009.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

Certain reclassifications have been made to the prior period financial statements to conform with the presentation in the current period.

Changes in accounting policies

Effective February 1, 2009, the Company adopted the new accounting policies of the Canadian Institute of Chartered Accountants ("CICA") Handbook:

Goodwill and intangible assets

Effective February 1, 2009, the Company adopted the CICA recommendations pertaining to goodwill and intangible assets (Section 3064), which 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 adoption of this section did not have a significant impact on the Company's financial statements.

Credit Risk and Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The Company has evaluated the new section and determined that adoption of these new requirements did not have an impact on the Company's financial statements.

2. BASIS OF PRESENTATION (CONT'D…)

Changes in accounting policies – cont'd…

Mining Exploration Costs

On March 27, 2009, the CICA approved EIC-174 "Mining Exploration Costs." This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Effective February 1, 2009, the Company adopted the CICA recommendations pertaining to the treatment of mining exploration costs. The Company has evaluated the new section and determined that the adoption of these new requirements did not have a significant impact on the Company's financial statements.

Recent Accounting Pronouncements

International financial reporting standards

The Canadian Accounting Standards Board recently confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian standards and interpretations on January 1, 2011. The process of changing from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect reported financial position and results of operations, and also affect certain business functions.

The Company has not yet completed a full evaluation of the adoption of IFRS and its impact on its financial position and results of operations. The full evaluation and an implementation plan will be completed before January 31, 2010. The progress of the evaluation and implementation plan will be addressed in the Company's quarterly and annual MD&A's for the year-ended January 31, 2010. The evaluation and implementation plan will address the impact of IFRS on:

- Accounting policies, including choices among policies permitted under IFRS and implementation decisions such as whether changes will be applied on a retrospective or a prospective basis;
- Information technology and data systems;
- Internal control over financial reporting;
- Disclosure controls and procedures, including investor relations and external communications plans;
- Financial reporting expertise, training requirements and the need for assistance from outside expertise;
- Post implementation monitoring to access any future developments of IFRS.

Business combinations

In January 2009, the CICA issued the new handbook Section 1582, "Business Combinations," effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with US GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. This standard is not expected to have a material impact on the Company's financial statements.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and equivalents, short-term deposits, marketable securities, receivables, investments and accounts payable and accrued liabilities. The carrying value of cash and equivalents, short-term deposits, receivables, accounts payable and accrued liabilities approximate their fair values due to their immediate or short-term maturity. Marketable securities and investments are recorded at fair value based on the quoted market prices at the balance sheet date.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D…)

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk, liquidity risk and equity market risk. The Company has limited exposure to foreign currency risk as the majority of its assets and liabilities are denominated in Canadian dollars. The Company's objective with respect to risk management is to minimize potential adverse effects on the Company's financial performance. The Board of Directors provides direction and guidance to management with respect to risk management. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company manages credit risk by investing its excess cash in short-term investments with investment grade ratings, issued by a Canadian chartered bank. The Company's receivables consist primarily of sales tax receivables due from the federal government and receivables from companies with which the Company has exploration agreements or options. The maximum exposure to credit risk at the reporting date is the carrying value of the Company's receivables and cash and cash equivalents.

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. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. The risk that the Company will realize a loss as a result of a decline in the fair value of any short-term investment included in cash and cash equivalents is limited because these investments, although readily convertible into cash, are generally held to maturity.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required through future equity financings, asset sales or exploration option agreements, or a combination thereof. The Company has no regular cash flow from its operating activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and significant expenditures and commitments. Failure to realize additional funding, as required, could result in the delay or indefinite postponement of further exploration and development of the Company's properties. As at July 31, 2009, the Company had cash and equivalents of $1,315,413 (January 31, 2009 - $1,079,697) available to settle current liabilities of $145,628 (January 31, 2009 - $134,543).

Equity market risk

The Company is exposed to equity price risk arising from its marketable securities, which are classified as available for sale. The Company plans to sell its marketable securities as market conditions permit, or as is required to finance the Company's operations from time-to-time.

4. MARKETABLE SECURITIES

The Company holds common shares of several publicly-traded Canadian listed companies, representing less than a 5% interest in the respective companies. As at July 31, 2009, the total cost of these marketable securities was $131,478 (January 31, 2009 - $133,978) and the fair market value of these securities was $181,503 (January 31, 2009 - $170,409). During the six months ended July 31, 2009, the Company received gross proceeds of $41,570 from the sale of marketable securities and recognized a $22,570 gain from the sale. In addition, the Company had an unrealized gain, before future income tax, of $50,025 recorded in accumulated other comprehensive income for the six months ended July 31, 2009 (July 31, 2008 - $331,459 unrealized loss).

Effective for the period ending July 31, 2009 the Company has determined that it no longer has significant influence over its investment in North Arrow Minerals Inc. ("North Arrow") (Note 5) and accordingly, has reclassified its investment to marketable securities. The cost of this investment was $240,980 as at July 31, 2009 and the fair value of this investment was $1,253,097. An unrealized gain, before future income tax, of $1,012,117 has been recorded in accumulated other comprehensive income for the six months ended July 31, 2009.

5. INVESTMENTS AND ADVANCES TO AFFILIATES

The Company's investments and advances to affiliates consist of the following:

	July 31, 2009	January 31, 2009
Investment – Anglo Columbia Mines Inc.	$ -	$ 40,000
Investment – North Arrow Minerals Inc.	-	240,979
Advances to North Arrow Minerals Inc.	-	30,824
	$ -	$ 311,803

North Arrow Minerals Inc.

The Company's ownership interest in North Arrow decreased to 14.4% from 22.1% during the six months ended July 31, 2009 and decreased again to 13.5% subsequent to the quarter-end. During the year ended January 31, 2009, the Company accounted for its investment in North Arrow using the equity method. For the six months ended July 31, 2009, the Company no longer has significant influence over North Arrow and the investment is now accounted for as marketable securities (Note 4). Accordingly, the investment has been reclassified to marketable securities, and related advances have been reclassified to receivables.

During the year ended January 31, 2009, the Company determined that the carrying value of its investment North Arrow was impaired, resulting in a write-down of $509,812. The impairment was determined by considering the difference between the carrying amount of the investment and its fair value in light of the current equity market conditions.

Anglo-Columbia Mines Inc.

In December 2006, the Company sold its interest in the Chu Chua mineral claims to Anglo-Columbia Mines Inc. ("Anglo-Columbia"), a private B.C. based company in exchange for 4,000,000 common shares of Anglo-Columbia, received at a value of $400,000. During the year ended January 31, 2009, the Company determined that the carrying value of its investment in Anglo-Columbia was impaired, resulting in a write-down of $360,000 to $0.01 per share, or $40,000. The determination of the impairment was made by considering the current equity market conditions and the difficulty in obtaining a value for shares of a private Company.

In July 2009, the option and purchase agreement with Anglo-Columbia was terminated and the Company re-acquired ownership of the Chu Chua mineral claims by returning the 4,000,000 common shares of Anglo-Columbia. Subsequent to the quarter-end, the Company signed an option agreement with a private company whereby the company may acquire a 100% interest in the Chu Chua property (Note 7). As at July 31, 2009, the Company wrote-off its $40,000 investment in Anglo-Columbia and capitalized $40,000 to mineral properties, which represents the estimated fair value of the Chu Chua property.

6. PROPERTY AND EQUIPMENT

	As at July 31, 2009			As at January 31, 2009		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Furniture and Equipment	**$ 57,275**	**$ 44,275**	**$ 13,000**	$ 57,275	$ 42,831	$ 14,444
Computer Equipment	**182,200**	**145,269**	**36,931**	182,200	138,752	43,448
Software	**41,274**	**40,660**	**614**	41,274	40,045	1,229
Leasehold Improvements	**48,607**	**39,478**	**9,129**	84,400	52,369	32,031
	$ 329,356	**$ 269,682**	**$ 59,674**	$ 365,149	$ 273,997	$ 91,152

During the six months ended July 31, 2009, the Company reduced its leased office space and wrote-off capitalized leasehold improvements of $20,449.

7. MINERAL PROPERTIES

	January 31, 2009	Expended During The Period	Write-off of Costs and Recoveries	**July 31, 2009**
Gold and Base Metal Properties, British Columbia				
Exploration costs	$ 798,542	$ 50,198	$ (526,508)	**$ 322,232**
Acquisition costs	70,389	18,772	-	**89,161**
Geological and assays	123,407	1,170	-	**124,577**
Office and salaries	447,733	50,058	-	**497,791**
	1,440,071	120,198	(526,508)	**1,033,761**
Gold and Base Metal Properties, NWT& NU				
Exploration costs	7,558,072	95,351	(35,849)	**7,617,574**
Acquisition costs	126,593	69	(53,212)	**73,450**
Geological and assays	228,931	43,315	(2,067)	**270,179**
Office and salaries	1,113,643	54,563	(38,728)	**1,129,478**
	9,027,239	193,298	(129,856)	**9,090,681**
Gold and Base Metal Properties, Saskatchewan				
Exploration costs	1,112,223	2,241	-	**1,114,464**
Acquisition costs	143,757	34	(60,000)	**83,791**
Geological and assays	17,630	398	-	**18,028**
Office and salaries	163,042	18,505	-	**181,547**
	1,436,652	21,178	(60,000)	**1,397,830**
Other Exploration and Generative Exploration				
Exploration costs	(4,878)	-	-	**(4,878)**
Acquisition costs	69	42,282	-	**42,351**
Geological and assays	1,970	-	-	**1,970**
Office and salaries	15,927	17,037	(2,562)	**30,402**
	13,088	59,319	(2,562)	**69,845**
TOTAL	$ 11,917,050	$ 393,993	$ (718,926)	**$ 11,592,117**

During the six months ended July 31, 2009, the Company wrote-off $132,418 (July 31, 2008 - $4,319,409) relating to certain properties and recorded recoveries for B.C. mineral exploration tax credits ("METC") of $510,008, and other recoveries of $76,500 (July 31, 2008 – other recoveries of $176,021).

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 is in good standing.

Gold and Base Metal Properties, British Columbia

The Company maintains interests in various other gold and base metal properties in B.C. including the Skoonka Creek, Shovelnose and Spences Bridge properties.

Inza Properties

In February 2009, the Company acquired a 100% interest in five mineral claims prospective for copper-gold by issuing a total of 250,000 common shares with a fair value of $15,000 to two prospectors. In September 2008 and February 2009, the Company acquired, by staking, a 100% interest in 12 adjacent mineral claims.

BC Mineral Exploration Tax Credits ("BC METC")

During the six months ended July 31, 2009, the Company received $510,008, which represents mineral exploration tax credits for the fiscal years ended 2006 through 2008, and reduced its capitalized exploration costs in B.C. by the same amount.

7. MINERAL PROPERTIES (CONT'D…)

Gold and Base Metal Properties, British Columbia (cont'd…)

Bitterroot Agreement

In June 2006, the Company concluded an option agreement with a prospector and Bitterroot Resources Ltd. ("Bitterroot") whereby Bitterroot may earn a 100% interest in certain claims known as the "Big Southeaster" property on Vancouver Island. Under the terms of this agreement, Bitterroot must issue $50,000 worth of common shares to the Company (the Company's share being 33%) and the prospector, prior to the third anniversary of the agreement. The Company received 108,533 Bitterroot common shares with a value of $16,500 during the six months ended July 31, 2009. The Company will retain a 0.66% net smelter return royalty ("NSR") on the property, one-half of which (0.33%) may be purchased by Bitterroot for $330,000.

Chu Chua Property

In September 2009, the Company signed an agreement with a private company providing an option to purchase the Company's 100% interest in the Chu Chua base metal massive sulphide deposit located in central British Columbia. To exercise the option, the private company must pay $25,000 and issue up to 2 million shares of a publicly traded company within 90 days. The Company will also retain a 1% net smelter returns royalty on any future mineral production from the deposit. The Company re-acquired ownership of the Chu Chua deposit after a previous option and purchase agreement expired.

Gold and Base Metal Properties, Northwest Territories and Nunavut

The Company maintains interests in various gold and base metal properties in the Northwest Territories and Nunavut in addition to the properties described below.

Nickel King Project, NWT

The Company holds a 100% interest in a number of mineral claims in the southern Northwest Territories. Certain of these mineral claims are subject to a 3% NSR on base and precious metals production and an additional 2% gross overriding royalty ("GOR"). The Company may purchase the entire NSR at any time for $1,500,000 and the Company may purchase one-half (1%) of the GOR at any time for $2,500,000.

Other Properties, NWT

Mineral property write-offs of $3,643 during the six months ended July 31, 2009 relate to various other properties in the Northwest Territories, where either no exploration programs of significance are planned for the foreseeable future, or where the Company no longer holds title to the claims.

Gold and Base Metal Properties, Saskatchewan

The Company maintains a 100% interest in a number of mineral claims in northern Saskatchewan that form part of the Company's Snowbird nickel project.

Other Exploration and Generative Exploration, Canada

Uranium Projects, Generative, Canada

The Company and Bayswater Uranium Corporation ("Bayswater") have an agreement to generate uranium exploration projects in Canada ("CUJV"). Under the terms of this agreement, Bayswater will contribute up to $500,000 between 2006 and 2010 to fund the acquisition of uranium projects identified by the Company and, upon identification of such project(s), Bayswater will be required to incur a further $600,000 in exploration expenditures within two years on each of up to three uranium projects identified by the Company as "Earn-in projects", whereby Bayswater and the Company will each hold a 50% interest in the generative project, with Bayswater as the Operator. Bayswater and the Company are related by virtue of a common director.

7. MINERAL PROPERTIES (CONT'D…)

Other Exploration and Generative Exploration, Canada (cont'd…)

Other Properties

The Company maintains a number of mineral claims and permits in British Columbia, Saskatchewan and the Northwest Territories, as part of the Company's ongoing generative exploration programs. Mineral property write-offs of $2,953 during the six months ended July 31, 2009 relate to various other properties, where either no exploration programs of significance are planned for the foreseeable future, or where the Company no longer holds title to the claims.

In July 2009, the Company and North Arrow, a company related by virtue of two directors, entered into an agreement whereby the Company may acquire mineral rights and explore for lithium in an area of interest ("AOI"). North Arrow retains a right to back into a 40% interest, once the Company completes US $2 million to explore the AOI and provides notice to North Arrow. North Arrow may back-into a 40% interest by spending US $2 million from the date of notice, including minimum expenditures of US $500,000 within each twelve-month period.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
As at January 31, 2009	65,873,463	$ 22,447,793	$ 3,168,652
Property option agreement	250,000	15,000	-
Tax benefits renounced to flow-through share subscribers (Note 10)	-	(1,159,305)	-
Stock-based compensation	-	-	68,574
As at July 31, 2009	66,123,463	$ 21,303,488	$ 3,237,226

Share issuances

The Company issued 250,000 common shares pursuant to a property option agreement (Note 7).

Stock options and warrants

In June 2009, the Company's shareholders approved the Company's Stock Option Plan (the "Plan"), which establishes a rolling number of shares issuable under the plan in the amount of 10% of the Company's issued shares at the date of grant.

Under the terms of the Plan, the exercise price of each option granted cannot be less than the market price at the date of grant, less a discount up to 25% in accordance with the policies of the TSX Venture Exchange ("TSX-V"). Options granted can have a term up to 5 years with vesting provisions determined by the directors in accordance with TSX-V policies for Tier 2 Issuers. Typically, the Company has granted stock options at or above the market price on the grant date, with a vesting period of 25% upon grant and 25% every six months thereafter.

As at July 31, 2009, the following stock options were outstanding:

	Number of Shares	Exercise Price	Number Vested	Expiry Date
Options	540,000	0.2898	540,000	February 2, 2010
	37,500	0.2940	37,500	June 13, 2010
	10,000	0.2940	10,000	September 23, 2010
	640,000	0.6636	640,000	March 16, 2011
	545,000	0.3696	545,000	September 15, 2011
	990,000	0.6552	990,000	March 29, 2012
	845,000	0.4600	845,000	December 21, 2012
	1,825,000	0.1700	456,250	July 26, 2014

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (CONT'D…)

Stock options and warrants (cont'd…)

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, January 31, 2009	5,051,250	$	0.54
Granted	1,825,000		0.17
Cancelled/expired	(1,443,750)		0.63
Balance, July 31, 2009	5,432,500	$	0.40
Number of options currently exercisable	4,063,750	$	0.47

The weighted average fair value of stock options granted during the current fiscal period was $0.10 (July 31, 2008 - $0.11).

The Company had no outstanding warrants as at July 31, 2009.

Stock-based compensation

During the six months ended July 31, 2009, the Company granted 1,825,000 stock options (July 31, 2008 – 200,000) with a fair value of $179,047 (July 31, 2008 - $36,787), which is being recognized over the vesting periods of the options. Total stock-based compensation recognized during the six months ended July 31, 2009 was $68,574 (July 31, 2008 – $261,560).

The following weighted average assumptions were used for the Black Scholes valuation of stock options granted:

	Six Months Ended July 31, 2009	Year Ended January 31, 2009
Risk-free interest rate	1.97%	2.78%
Expected life of options	3 years	3 years
Annualized volatility	100%	67%
Dividend rate	0.00%	0.00%

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties not disclosed elsewhere in these financial statements:

a. Charged rent of $nil (July 31, 2008 - $12,000) to Stornoway Diamond Corporation ("Stornoway"), a company with a common director.

b. Charged rent of $9,000 (July 31, 2008 - $6,000) to North Arrow, a company with two common directors.

Included in receivables are amounts due from Stornoway totaling $3,722 (January 31, 2009 - $2,811) for reimbursement of exploration, administrative costs paid by the Company on Stornoway's behalf.

As at July 31, 2009, the Company had advanced $53,949 (January 31, 2009 - $30,824) to North Arrow for exploration expenditures and shared administrative expenses. This advance is non-interest bearing, unsecured and due upon demand and has been re-classified as a receivable as at July 31, 2009.

Included in accrued liabilities is $Nil (January 31, 2009 –$3,733) payable to a company controlled by a director.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

10. INCOME TAXES

As at July 31, 2009, the Company has approximately $725,700 in non-capital losses available for deduction against future year's taxable income. These losses will expire in 2029.

Subject to certain restrictions, the Company has approximately $9,800,000 of mineral property expenditures and $630,000 in non-refundable tax credits available to reduce taxable income of future years.

During the year ended January 31, 2009 the Company issued 9,502,500 (2008 – 4,710,000) common shares on a flow-through basis for gross proceeds of $3,801,000 (2008 - $4,003,500). The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenses incurred on the Company's mineral properties to the flow-through participants. In February 2009, the Company renounced exploration expenditures of $3,801,000 (2008 - $4,003,500), which resulted in a future income tax recovery and a charge against capital stock of $1,159,305 (2008 - $1,221,067).

The Company has record a future income tax recovery of $138,079 (2008 - $Nil) for unrealized gains on available for sale investments (Note 11).

11. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Balance, January 31, 2009	$	31,694
Reversal of previous unrealized gain on available-for-sale investments, net of future income taxes		(31,694)
Unrealized gains on available-for-sale investments, net of future income taxes		924,064
As at July 31, 2009	$	924,064

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

At July 31, 2009, cash and equivalents of $1,315,413 (January 31, 2009 - $1,079,697) consisted of cash on deposit of $43,376 (January 31, 2009 - $189,975) and short-term investments of $1,272,037 (January 31, 2009 - $889,722).

The significant non-cash transactions for the six months ended July 31, 2009 were:

a) The Company incurring mineral property expenditures of $69,387 that are included in accounts payable and accrued liabilities.

b) The Company issued 250,000 common shares valued at $15,000 pursuant to the purchase of mineral property claims (Note 7).

c) The Company receiving 108,553 common shares of Bitterroot Resources Ltd. (“Bitterroot”) valued at $16,500 pursuant to the sale of future mineral property rights.

d) The Company re-acquiring ownership of the Chu Chua deposit and recording $40,000 for mineral property acquisitions.

The significant non-cash transactions for the six months ended July 31, 2008 were:

a) The Company incurring mineral property expenditures of $292,651 that are included in accounts payable and accrued liabilities and the Company accruing a recovery of mineral property expenditures of $1,388 that is included in receivables.

b) The Company receiving 16,250 common shares of Bitterroot valued at $6,600 pursuant to the sale of future mineral property rights.

13. COMMITMENTS

The Company is committed to minimum future lease payments for office premises and exploration equipment through to January 31, 2011 as follows:

Fiscal year ending January 31, 2010	$ 98,940
Fiscal year ending January 31, 2011	$ 85,024

The Company’s lease costs may be reduced due to recoveries through sub-leases.

14. CAPITAL MANAGEMENT

The capital of the Company consists of the items included in shareholder’s equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company’s objective for capital management is to plan for the capital required to support the Company’s ongoing acquisition and exploration of its mineral properties and to provide sufficient funds for its corporate activities.

The Company’s mineral properties are in the exploration stage. As an exploration stage company, the Company is currently unable to self-finance its operations. The Company has historically relied on equity financings and, more recently, asset sales or exploration option agreements, to finance its operations. In order to carry out the Company’s planned exploration programs and to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as required. To effectively manage the Company’s capital requirements, the Company’s management has in place a planning and budgeting process.