

Cedar Mountain Exploration Inc.

Consolidated Financial Statements

For the three and nine months ended June 30, 2009 and 2008

To the shareholders of Cedar Mountain Exploration Ltd:

The interim consolidated balance sheet of Cedar Mountain Exploration Ltd. as at June 30, 2009, and the interim consolidated statements of loss and deficit and cash flows for the periods then ended have been compiled by management.

No audit or review of this information has been performed by the Company's auditors.

Cedar Mountain Exploration Inc.

Consolidated Balance Sheets

As at	<i>(unaudited)</i> June 30, 2009	<i>(audited)</i> September 30, 2008
	\$	\$
Assets		
Current		
Cash	67,854	378,724
Accounts receivable	146,111	100,595
Prepaid expenses and deposits	22,876	21,900
	<u>236,841</u>	<u>501,219</u>
Mineral properties (note 5)	<u>1,371,996</u>	<u>794,148</u>
	<u>1,608,837</u>	<u>1,295,367</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	<u>74,380</u>	<u>50,675</u>
Shareholders' equity		
Share capital (note 6)	2,504,569	1,839,166
Contributed surplus (note 7)	497,100	444,600
Deficit	<u>(1,467,212)</u>	<u>(1,039,074)</u>
	<u>1,534,457</u>	<u>1,244,692</u>
	<u>1,608,837</u>	<u>1,295,367</u>

Approved on behalf of the Board

Signed "*John Williamson*" Director

Signed "*Sean Mager*" Director

See accompanying notes to the consolidated financial statements

Cedar Mountain Exploration Inc.

Consolidated Statements of Net Loss, Comprehensive Loss, and Deficit For the three and nine months ended June 30, 2009 and 2008

(unaudited)

Period ended June 30	2009 3 months \$	2008 3 months \$	2009 9 months \$	2008 9 months \$
Expenses				
Management fees	75,852	67,300	162,365	153,713
Marketing and investor relations	10,875	12,807	46,455	57,742
Office and administration	23,859	25,421	103,065	81,239
Professional fees	20,186	2,146	33,243	9,840
Project generation	4,325	-	4,325	-
Stock-based compensation (note 6)	-	-	52,500	372,600
	(135,097)	(107,674)	(401,953)	(675,134)
Other income				
Interest	372	3,954	1,107	21,489
Write down of property	-	(131,119)	-	(131,119)
Foreign exchange	(9,493)	-	(27,292)	-
Net loss and comprehensive loss	(144,218)	(234,839)	(428,138)	(784,764)
Deficit - beginning of period	(1,322,994)	(704,036)	(1,039,074)	(154,111)
Deficit - end of period	(1,467,212)	(938,875)	(1,467,212)	(938,875)
Basic and diluted net loss per common share (note 6)	(0.01)	(0.02)	(0.02)	(0.06)
Weighted average number of common shares outstanding	18,568,424	13,985,088	17,554,779	13,722,579

See accompanying notes to financial statements

Cedar Mountain Exploration Inc.

Consolidated Statements of Cash Flows

For the three and nine months ended June 30, 2009 and 2008

(unaudited)

Period ended June 30	2009 3 months \$	2008 3 months \$	2009 9 months \$	2008 9 months \$
Cash provided by (used in)				
Operating activities				
Net loss for the period	(144,218)	(234,839)	(428,138)	(784,764)
Item not affecting cash:				
Stock-based compensation	-	-	52,500	372,600
Write-down of mineral property	-	131,119	-	131,119
	(144,218)	(103,720)	(375,638)	(281,045)
Change in non cash working capital items	1,296	106,297	(4,363)	(53,976)
	(142,922)	2,577	(380,001)	(335,021)
Investing activities				
Acquisition of Sterling Mexico (note 3)	-	-	(170,485)	-
Acquisition of mineral properties	-	-	(340,445)	-
Expenditures on mineral properties	(20,434)	(169,011)	(85,342)	(533,253)
	(20,434)	(169,011)	(596,272)	(533,253)
Financing activities				
Proceeds from issuance of shares	-	-	686,500	1,600,000
Share issuance costs	-	-	(21,097)	(183,439)
	-	-	665,403	1,416,561
Increase (decrease) in cash	(163,356)	(166,434)	(310,870)	548,287
Cash - beginning of period	231,210	741,471	378,724	26,750
Cash - end of period	67,854	575,037	67,854	575,037

The non-cash transactions described in note 6 have been excluded from the Statements of Cash Flows.

See accompanying notes to financial statements

Cedar Mountain Exploration Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended June 30, 2009 and 2008

(unaudited)

1. Nature of operations

Cedar Mountain Exploration Inc. (the “Company” or “Cedar Mountain”) was incorporated in Alberta and commenced operations on March 16, 2006. On October 18, 2007, the Company closed its initial public offering (“IPO”) and began trading on the TSXV stock exchange under the symbol **CED** on October 29, 2007.

Cedar Mountain is in the business of acquiring and exploring mineral properties. The Company has not yet determined whether these properties contain mineral reserves that are economically recoverable and the Company is presently, or is planning to carry out active exploration efforts on all of its mineral properties. The Company has not yet earned significant revenues and is considered to be in the development stage. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and ultimately upon future profitable production or proceeds from disposition of the mineral properties. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets should the Company be unable to continue as a going concern.

2. Principles of consolidation and preparation of financial statements

The accompanying unaudited interim consolidated financial statements have been prepared by the Company following the same accounting policies and methods as those disclosed in the audited consolidated financial statements for the year ended September 30, 2008, unless otherwise stated. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada have been omitted. These interim consolidated financial statements should be read in conjunction with the September 30, 2008 audited consolidated financial statements and the notes thereto. In the opinion of management, all adjustments of a normal and recurring nature that are necessary for a fair presentation of the balance sheet, results of operations, and cash flows of those interim periods have been included.

The consolidated balance sheets include the assets and liabilities of the Company’s wholly owned subsidiaries Evoba Mining de Mexico S. de R.L.de C.V. (“Evoba”) and Sterling Mining de Mexico S.A. de C.V. (“Sterling Mexico”). The consolidated statements of net loss, comprehensive loss and deficit and cash flows for the three and nine months ended June 30, 2009 include the accounts of Evoba from the date of its incorporation (September 30, 2008) and the accounts of Sterling Mexico from the date of acquisition (note 3).

The consolidated financial statements use the Canadian Dollar as the unit of measurement. Where foreign currency-denominated balance sheet items or commitments are disclosed, the Canadian Dollar equivalent amount is presented, at the rate in effect at the related balance sheet date, unless otherwise indicated.

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New accounting policies

The following new accounting policies have been adopted by the Company effective October 1, 2008:

General Standards of Financial Statement Presentation

The CICA has amended CICA Section 1400 *General Standards of Financial Statement Presentation* of the CICA Handbook to include requirements to assess and disclose the Company's ability to continue as a going concern. This new accounting standard has been adopted by the Company as of October 1, 2008. The new standard does not have an impact on the Company's consolidated financial statements.

Goodwill and Intangible Assets

The CICA has issued Section 3064 – Goodwill and Intangible Assets, which replaces Section 3062 – Goodwill and Other Intangible Assets and Section 3450 – Research and Development Costs. The new accounting standard is effective on the Company's interim and annual financial statements beginning October 1, 2008. This Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of this standard does not have an impact on the Company's consolidated financial statements.

Inventories

The CICA has issued section 3031 – Inventories, which provides expanded guidance on the measurement and disclosure requirements for inventories, and is effective on the Company's interim and annual financial statements beginning October 1, 2008. Specifically, the new standard requires that inventories be measured at the lower of cost and net realizable value, and provides more guidance on the determination of cost and its subsequent recognition as expense, including any write-down to net realizable value. The adoption of this new standard has not had an effect on the Company's consolidated financial statements.

Credit risk and Fair Value of Financial Assets and Liabilities

The CICA has issued EIC 173 – Credit Risk and Fair Value of Financial Assets and Liabilities, which provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative financial instruments. This guidance is effective for the current financial year with retrospective application without prior period restatement. The adoption of this new guidance has not had an effect on the Company's consolidated financial statements.

Mining Exploration Costs

The CICA has issued EIC 174 – Mining Exploration Costs, which provides guidance on accounting for capitalization and impairment of exploration costs. This guidance is effective for the current financial year with retrospective application without restatement of prior periods. The adoption of this new guidance has not had a significant effect on the Company's consolidated financial statements.

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Future accounting pronouncements

Business Combinations, Consolidated Financial Statements, Non-controlling interests

CICA Handbook sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements, and 1062 – Non-controlling interests will replace the former sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements and establish a new section focused on accounting for a non-controlling interest in a subsidiary. Section 1582 is effective for business combinations for which the acquisition date is on or after January 1, 2011, and sections 1601 and 1602 apply to consolidated financial statements relating to years beginning on or after January 1, 2011. The Company has not evaluated what effect, if any, the adoption of these new standards will have on the Company’s consolidated financial statements.

3. Business combination

On December 22, 2008, the Company announced that it had acquired 99% of the issued and outstanding shares of Sterling Mexico, a company incorporated in Mexico, from an arm’s length party for USD 240,000 (\$287,047) (the “Acquisition”). The Company has accounted for the Acquisition using the purchase method and, for accounting purposes, has deemed the acquisition to occur on December 31, 2008.

The following table is a preliminary allocation of the total acquisition cost with the assets acquired and liabilities assumed in the Acquisition. The Company is in the process of allocating the purchase price to the assets acquired and liabilities assumed in the Acquisition and the reconciliation below is subject to material changes.

Cash	\$ 287,047
Acquisition costs	<u>5,531</u>
Total purchase price	<u>\$ 292,578</u>
Working capital	\$ 135,660
Mineral properties	<u>156,918</u>
Net assets acquired	<u>\$ 292,578</u>

The mineral properties acquired with Sterling Mexico, comprising approximately 5,400 ha of mineral rights in the State of Zacatecas in central Mexico, have been added to the Company’s *País del Elephante* area of interest (note 5).

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4. Segmented information

The Company's operations are managed on a regional basis. The two regional operational segments are Canada and Mexico. During the comparative periods, the Company only had one operational segment, Canada.

The following table allocates assets by segment:

	June 30 2009	September 30 2008
Canada	\$ 997,572	\$ 1,295,367
Mexico	<u>611,265</u>	<u>-</u>
Total assets	<u>\$ 1,608,837</u>	<u>\$ 1,295,367</u>

The following table allocates net loss by segment:

Period ended June 30, 2009	(3 months)	(9 months)
Canada	\$ (106,861)	\$ (359,379)
Mexico	<u>(37,357)</u>	<u>(68,759)</u>
Net income (loss)	<u>\$ (144,218)</u>	<u>\$ (428,138)</u>

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5. Mineral properties

	British Columbia, Canada			Zacatecas State, Mexico		Total \$
	Cedar Creek \$	Lemon Lake \$	Venus \$	Jimenez del Teul \$	País del Elephante \$	
Balance - September 30, 2007	253,163	120,606	66,117	-	-	439,886
Acquisition	-	(657)	-	-	-	(657)
Claims and land use	519	713	266	-	-	1,498
Geological consulting	143,352	11,627	8,600	-	-	163,579
Ground geophysics	600	-	-	-	-	600
Analysis	130,412	1,239	1,330	-	-	132,981
Fieldwork	98,489	3,455	2,189	-	-	104,133
Balance, June 30, 2008	626,535	136,983	78,502	-	-	842,020
Claims and land use	2,040	942	-	-	-	2,982
Geological consulting	3,893	2,966	1,991	-	-	8,850
Analysis	8,243	-	668	-	-	8,911
Fieldwork	16,184	1,684	1,147	-	-	19,015
Mineral tax credits	(80,250)	(4,194)	(3,186)	-	-	(87,630)
Balance – September 30, 2008	576,645	138,381	79,122	-	-	794,148
Acquisition	-	-	-	132,735	364,633	497,368
Claims and land use	250	613	366	11,049	13,165	25,443
Geological consulting	7,029	2,849	2,504	20,311	23,372	56,065
Analysis	-	3,262	20	-	-	3,282
Fieldwork	294	219	34	-	-	547
Mineral tax credits	(2,190)	(1,899)	(768)	-	-	(4,857)
Balance – June 30, 2009	582,028	143,425	81,278	164,095	401,170	1,371,996
Acquisition	134,229	113,920	62,631	132,735	364,633	808,148
Claims and land use	2,809	7,925	4,118	11,049	13,165	39,066
Exploration	527,430	27,673	18,483	20,311	23,372	617,269
Mineral tax credits	(82,440)	(6,093)	(3,954)	-	-	(92,487)
Balance – June 30, 2009	582,028	143,425	81,278	164,095	401,170	1,371,996

Jimenez del Teul and País del Elephante

On October 1, 2008, the Company acquired various mineral properties in the State of Zacatecas in central Mexico totalling approximately 14,000 ha, for total consideration of \$265,740. These mineral properties have been split into two areas of interest by the Company, *Jimenez del Teul* (approximately 9,500 ha) and *País del Elephante* (approximately 4,500 ha).

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On October 15, 2008, the Company acquired additional mineral properties in the State of Zacatecas in central Mexico totalling approximately 900 ha, for consideration of \$279,525. These mineral properties have been added to the Company's *Pais del Elephante* area of interest.

On December 21, 2008, the Company acquired Sterling Mexico (note 3) which included 5,400 ha of mineral properties in the State of Zacatecas in central Mexico. These properties have been assigned an acquisition cost of \$156,918 (note 3) and have been added to the Company's *Pais del Elephante* area of interest.

The Company has discovered certain obligations associated with certain mineral interests acquired in Mexico and has been compensated by the vendors of the properties in the amount of \$204,816. This amount has offset the acquisition cost of the various properties.

Certain mineral properties included in the Company's *Pais del Elephante* area of interest are subject to exploration work commitments of up to USD 250,000, to be expended by May 2010 and are subject to a 2% net smelter royalty ("NSR"). The Company is currently determining the amounts spent to the date on which the Company acquired the mineral properties and is in negotiation with the landowners to further reduce work commitments.

Certain mineral properties in the Company's *Jimenez del Teul* area of interest are subject to option payments aggregating USD 491,000 in increments, with the full amount required to be paid by May 31, 2011. In addition, certain mineral properties are subject to exploration work commitments aggregating up to USD 500,000 to be expended by June 20, 2013, and are subject to NSR's ranging from 2% to 2.5%. The Company is currently in the process of determining the amounts spent to the date on which the Company acquired the mineral properties. During the period ended June 30, 2009, the Company paid USD 20,000 toward these commitments.

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6. Share capital

Authorized:

Unlimited number of common shares

Issued:	Nine months ended June 30, 2009		Year ended September 30, 2008	
	Common Shares #	Amount \$	Common Shares #	Amount \$
Balance – beginning of period	13,985,088	1,839,166	9,985,088	617,911
Shares issued for cash	4,576,669	686,500	4,000,000	1,600,000
Shares issued to finders	6,667	1,000	-	-
Share issuance costs	-	(22,097)	-	(255,439)
Deferred share issuance costs	-	-	-	(123,306)
Balance – end of period	18,568,424	2,504,569	13,985,088	1,839,166

On November 6, 2008, the Company announced that it had closed the first tranche of a private placement, originally announced on October 22, 2008, of 2,091,670 units (“Units”) for gross proceeds of \$313,750. Each Unit, sold for \$0.15 per Unit, consisted of one common share of the Company (“Share”) and one common share purchase warrant (“Warrant”), where each Warrant is exercisable into Share at a price of \$0.25 per Share until November 4, 2009.

On December 19, 2008, the Company announced that it had closed the second and final tranche of the private placement announced on October 22, 2008, of an additional 2,484,999 Units for gross proceeds of \$372,750. Finders acting in connection with the private placement received a finders’ fee in the total amount of \$8,925 and 6,667 Units.

Warrants

The following table summarizes activity related to warrants:

	Nine months ended June 30, 2009		Year ended September 30, 2008	
	Number of warrants #	Weighted average exercise price \$	Number of warrants #	Weighted average exercise price \$
Balance – beginning of period	-	-	-	-
Granted	4,583,336	0.25	-	-
Balance – end of period	4,583,336	0.25	-	-

The following table summarizes information about warrants outstanding:

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Number of warrants outstanding #	Weighted average exercise price \$	As at	Number of warrants outstanding #	Weighted average exercise price \$	As at
		June 30, 2009			September 30, 2008
		Weighted average remaining contractual life Years			Weighted average remaining contractual life Years
2,091,670	0.25	0.35	-	-	-
2,491,666	0.25	0.50	-	-	-
4,583,336	0.25	0.43	-	-	-

Agent options

The following table summarizes activity related to agent options:

	Six months ended		Year ended	
	June 30, 2009	Weighted average exercise price \$	September 30, 2008	Weighted average exercise price \$
	Number of agent options #		Number of agent options #	
Balance – beginning of period	400,000	0.40	-	-
Granted	-	-	400,000	0.40
Balance – end of period	400,000	0.40	400,000	0.40

The following table summarizes information about agent options outstanding:

Number of agent options outstanding #	Weighted average exercise price \$	As at	Number of agent options outstanding #	Weighted Average exercise price \$	As at
		June 30, 2009			September 30, 2008
		Weighted average remaining contractual life Years			Weighted average remaining contractual life Years
400,000	0.40	0.3	400,000	0.40	1.0
400,000	0.40	0.3	400,000	0.40	1.0

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Stock options

The following table summarizes activity related to stock options:

	Nine months ended June 30, 2009		Year ended September 30, 2008	
	Number of options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
Balance – beginning of period	1,380,000	0.40	-	-
Granted	525,000	0.15	1,380,000	0.40
Expired	(100,000)	0.40	-	-
Balance – end of period	1,805,000	0.33	1,380,000	0.40

The following table summarizes information about stock options outstanding:

Number of agent options outstanding #	Weighted average exercise price \$	As at June 30, 2009		Number of agent options outstanding #	Weighted Average exercise price \$	As at September 30, 2008	
		Weighted average remaining contractual life Years				Weighted average remaining contractual life Years	
1,280,000	0.40	3.3		1,380,000	0.40	4.3	
525,000	0.15	4.6		-	-	-	
1,805,000	0.33	3.7		1,380,000	0.40	4.3	

During the period ended June 30, 2009, the Company issued 525,000 stock options under the Company's stock option plan to an officer, a director, and consultants of the Company, exercisable at \$0.15 per common share, subject to a four month hold period, expiring on January 23, 2014 (or earlier as determined by the Company's stock option plan), and vesting upon issuance. The Company has estimated an aggregate fair value of the 525,000 stock options issued as \$52,500, or \$0.10 per option. The fair value was estimated using the Black-Scholes option valuation model with the following weighted average assumptions: market price at issuance, \$0.15 per share; expected life of the option, 5 years; expected volatility, 80%; risk free interest rate, 1.74%.

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7. Contributed surplus

Contributed surplus arises from the recognition of estimated fair value of stock options and agent options as follows:

	Nine months ended June 30, 2009	Year ended September 30, 2008
	\$	\$
Balance – beginning of period	444,600	-
Agent options granted	-	72,000
Stock options granted	52,500	372,600
Balance – end of period	497,100	444,600

8. Financial instruments

Financial instrument classification

The Company's financial instruments recognized on the consolidated balance sheet consist of cash, accounts receivable and accounts payable and accrued liabilities.

Upon initial recognition, the Company has designated its cash as held for trading, and accordingly it is recognized on the consolidated balance sheet at its fair value, and changes in fair value are recognized in net income in the period in which the change arises. Accounts receivable has been classified as loans and receivables, and is measured at amortized cost. Accounts payable and accrued liabilities have been classified as other liabilities, and are measured at amortized cost.

The estimated fair market values of the Company's financial instruments approximate their carrying values due to their short-term nature.

The Company has no unrecognized financial instruments or derivative financial instruments.

Capital management

The Company's capital consists of cash and share capital.

The Company's objectives in managing its capital are: to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; to perform mineral exploration activities on the Company's exploration projects; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

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Risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

Interest risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments.

The Company had approximately \$67,854 in cash at June 30, 2009, on which it may earn variable rates of interest, and may therefore be subject to a certain amount of risk, though this risk is deemed to be immaterial to management of the Company.

Credit risk

Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents, accounts receivable, short-term investments, and derivative financial instruments.

The Company has assessed its exposure to credit risk and has determined that such risk is minimal. The material majority of the Company's cash are held with financial institutions in Canada. Cash and cash equivalents held with the Company's Canadian financial institution are guaranteed in full by the Crown in Right of Alberta. A substantial amount of the Company's receivables is due from the government of British Columbia for refundable mineral exploration tax credits and from the Government of Canada for goods and services tax receivable. Management does not consider this concentration of credit to pose any substantial risk to the Company.

Foreign currency risk

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates.

The Company maintains its cash reserves in various currencies, and is therefore subject to fluctuations in foreign exchange rates. The Company's corporate costs and share capital, as well as the Company's reporting currency, is denominated in Canadian Dollars.

Liquidity risk

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

As at June 30, 2009, the Company's consolidated working capital is approximately \$162,461, and it does not have any long-term liabilities. In order for the Company to perform an exploration program on any of its properties, and to continue operations, it will require equity and or debt financing. Subsequent to June 30, 2009,

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the Company has announced a private placement for gross proceeds of up to \$500,000 for general working capital purposes (note 10).

9. Related party transactions

At June 30, 2009, the Company had an outstanding payable to companies with common officers and directors in the amount of \$67,097 (September 30, 2008 - \$12,906) for reimbursement of shared staffing, general and administrative costs.

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

10. Subsequent events

Subsequent to June 30, 2009, the Company announced that it intends to complete a non-brokered private placement (the "Offering") of up to 5,000,000 units (each a "Unit") at a price of \$0.10 per Unit for gross proceeds of \$500,000 if fully subscribed. Each Unit shall consist of one common share of the Company ("Common Share") and one Common Share purchase warrant ("Warrant"). Each Warrant entitles the holder to acquire one Common Share for a period of 24 months following the closing of the Offering (the "Exercise Period") at an exercise price of \$0.15 per Common Share in the first 12 months of the Exercise Period, and at a price of \$0.20 per Common Share during the remaining 12 months of the Exercise Period. Commissions or finder's fees may be payable on the Offering. The completion of the Offering is subject to regulatory approval.

11. Comparative figures

Certain comparative amounts have been reclassified to conform to the current period's presentation.