



EXCALIBUR
RESOURCES LTD.

**Consolidated Financial Statements
For The Six-Months Ended November 30, 2009
(Unaudited)**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Excalibur Resources Ltd.
Balance Sheet for the Periods
Ended November 30, 2009 and May 31, 2009

	Note	November 30, 2009	May 31, 2009
Assets			
Current			
Cash		\$ 273,155	\$ 7,996
Prepays and sundry receivables		59,951	24,393
		333,106	32,389
Mineral properties and deferred exploration costs	3	863,285	431,365
		\$ 1,206,391	\$ 473,754

Liabilities

Current			
Accounts payable and accrued liabilities		\$ 268,496	\$ 223,413
Notes payable		-	45,859
Restoration Liability	4	10,000	10,000
		278,496	279,272

Shareholders' Equity

Capital stock	5	9,467,503	8,629,118
Warrants	6(ii)	4,000	4,000
Contributed surplus	8	1,042,411	1,042,411
Deficit		(9,586,019)	(9,481,047)
		927,895	194,482
		\$ 1,206,391	\$ 473,754

Nature of Operations (Note 1)
 Litigation (Note 9)
 Subsequent Events (Note 13)

Approved by the Board "Dianne Szigety" President "Tim Gallagher" CFO
 (signed) (signed)

Excalibur Resources Ltd.
Consolidated Statements of Operations and Deficit
For the three- and six-month periods ended November 30

	Three Months Ended		Six Months Ended	
	November 30,		November 30,	
	2009	2008	2009	2008
Administrative expenses				
Amortization	-	203	-	407
Consulting fees	-	15,000	10,000	30,000
Management fees & admin fees	34,208	27,000	28,000	54,000
Office and administrative fees	3,262	3,688	33,788	14,806
Professional fees	785	2,719	2,285	12,216
Promotion & investor relations	3,239	7,181	8,986	18,209
Regulatory and transfer agent fees	8,493	4,215	9,413	5,315
Research & development	34,100	-	34,100	-
Travel	-	-	-	2,948
	84,087	60,006	126,572	137,901
Write-off admin fees	(21,600)	-	(21,600)	-
Loss for the period	62,487	60,006	104,972	137,901
Deficit, beginning of period	(9,523,532)	(8,697,413)	(9,481,047)	(8,619,518)
Deficit, end of period	\$(9,586,019)	\$(8,757,419)	\$(9,586,019)	\$(8,757,419)
Loss per share	\$ (0.0007)	\$ (0.001)	\$ (0.001)	\$ (0.002)
Weighted average number of shares outstanding	83,751,655	65,506,696	76,733,881	65,222,081

Excalibur Resources Ltd.
Consolidated Statements of Cash Flows
For the three- and six-month periods ended November 30

	Three Months Ended November 30,		Six Months Ended November 30,	
	2009	2008	2009	2008
Cash provided by (used for)				
Operating activities				
Loss for the period	\$(62,487)	\$(60,006)	\$(104,972)	\$(137,901)
Net change in non-cash working capital				
Amortization	-	203	-	407
Stock based compensation	-	-	-	-
Prepays and sundry receivables	(39,603)	(15,776)	(35,558)	9,046
Accounts payable & accrued liabilities	(13,241)	66,368	20,284	141,531
Net cash used in operating activities	(115,331)	(9,211)	(120,246)	13,083
Financing activities				
Shares issued for debt	148,325	-	148,325	-
Issuance of capital stock for cash (net)	669,000	-	669,000	54,600
Net cash provided by financing activities	817,325	-	817,325	54,600
Investing activity				
Mineral property interests	(465,880)	8,191	(431,920)	(163,805)
Net cash used in investing activities	(465,880)	8,191	(431,920)	(163,805)
Net increase (decrease) in cash	236,114	(1,020)	265,159	(96,122)
Cash, beginning of period	37,041	5,177	7,996	100,279
Cash, end of period	\$ 273,155	\$ 4,157	\$ 273,155	\$ 4,157

Supplemental Disclosure for Non-Cash Financing Activities:

Q2 2010: NIL

Excalibur Resources Ltd.

Notes to Consolidated Financial Statements

For the Six-month Period Ended November 30, 2009

1. NATURE OF OPERATIONS AND GOING CONCERN

Excalibur Resources Ltd. (the "Company") was federally incorporated under the laws of Canada. The Company's principal assets are mining claims and deferred exploration expenditures made on properties which are not in commercial production. The Company is in the process of exploring its mining claims and has not yet determined whether or not the properties will contain economically recoverable reserves. The Company is listed on the Canadian National Stock Exchange. ("CNSX").

As at November 30, 2009 the Company has working capital of \$54,610. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favorable to the Company. These financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business. In the event the Company is not able to obtain adequate funding, there is uncertainty as to whether the Company will be able to maintain or complete the exploration of its property interests. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements are prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods of their application as the most recent audited financial statements for the year ended May 31, 2009. These financial statements should be read in conjunction with those audited financial statements.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates. Areas requiring significant estimates from management are the fair values of stock-based compensation, the fair value ascribed to warrants issued in connection with the private placement and the assessment of impairment on mineral properties and deferred exploration costs.

Future Accounting Pronouncements Issued and Not Yet Adopted

- (a) The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The Company is currently assessing the impact that the transition to IFRS will have on the Company's financial statements.

Excalibur Resources Ltd.
Notes to Consolidated Financial Statements
For the Six-month Period Ended November 30, 2009

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

Acquisition costs

	Needles	Delamar	Silver King⁽ⁱ⁾	Cariboo Claims⁽ⁱⁱ⁾	Sturgeon Lake⁽ⁱⁱⁱ⁾	Total
May 31, 2008	\$150,000	\$112,328	\$ 77,500	\$ 11,250	\$ 53,000	\$404,078
Shares issued	-	-	-	3,600	15,000	18,600
Cash pmts (received)	(5,000)	-	-	-	-	(5,000)
Staking costs	-	-	-	-	25,331	25,331
Impairment	(107,500)	(112,328)	-	-	-	(219,828)
May 31, 2009	37,500	-	77,500	14,850	93,331	223,181
Cash pmts (received)	(37,500)	-	-	-	-	(32,500)
August 31, 2009	-	-	77,500	14,850	93,331	185,681

Deferred exploration costs

May 31, 2008	393,699	11,610	55,572	-	2,763	463,644
Additions	19,955	7,709	143,346	-	8,983	179,993
Impairment	(413,654)	(19,319)	-	-	-	(432,973)
May 31, 2009	-	-	198,918	-	11,746	210,664

	Needles	Delamar	Silver King⁽ⁱ⁾	Cariboo Claims⁽ⁱⁱ⁾	Sturgeon Lake⁽ⁱⁱⁱ⁾	Total
Additions	504	-	465,376	-	-	\$465,880
November 30, 2009	\$ 504	\$ -	\$742,854	\$ 14,850	\$105,077	\$863,285

(i) Silver King Property

The Company entered into an option to earn a 100% interest in the Silver King Property located in the Kootenay District of British Columbia, by issuing common shares and making cash payments over four years as follows:

- a. \$30,000, plus a \$1,500 reimbursement of 2007 paid taxes (paid), upon the execution of the letter of agreement and the issuance of 70,000 shares (issued);
- b. \$40,000 on or before June 1, 2008 (paid) and the issuance of 90,000 shares (issued);

On August 11, 2009 the Company was able to renegotiate the terms of the option agreement. The amended terms require the company to issue common shares and make the following cash payments:

- c. \$40,000 on or before June 1, 2010 and the issuance of 140,000 shares;
- d. \$75,000 on or before June 1, 2011 and the issuance of 190,000 shares; and
- e. on or before June 1, 2012 the issuance of 250,000 common shares and \$100,000 plus the greater of:
 - i. 125% of the 2012 assessed value of the surface rights issued by the British Columbia Assessment Authority; or
 - ii. \$350,000.

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (Cont'd)

(i) Silver King Property (cont'd)

The Company is required to issue an additional 200,000 shares to the Optionor on receipt by the Company of a positive feasibility study, either in the form of a preliminary feasibility study or a bankable study, or upon commencement of commercial production.

In addition, the Optionor is entitled to receive 3% Net Smelter Return on the Silver King Property (the "NSR"), which shall be in an amount not be less than \$50,000, adjusted by the Statistics Canada Consumer Price Index for British Columbia using 2006 as a base year. The Optionor is also entitled to receive an advanced royalty in the base amount of \$50,000, adjusted by the Statistics Canada Consumer Price Index for British Columbia using 2006 as a base year, due on December 31 in each year that the Silver King Property is not in commercial production for a full 12 months, starting in the year in which the option is exercised by the Company. The NSR will be reduced by the total of any advance royalty paid. Upon commencement of commercial production, the Company will have the right to purchase 50% of the NSR for \$1,500,000.

(ii) Cariboo Claims

On December 12, 2007 the Company entered into an option to acquire a 100% interest in the Cariboo Group claims and the Princess and Cleopatra claims (collectively the "Cariboo Claims"), representing a total of five claim units near the City of Nelson, in the Kootenay District of British Columbia, by making the following option payments in cash and shares:

- \$10,000 (paid) and 25,000 shares at a price of \$0.05 per share (issued) upon signing of the Letter of Intent;

On August 17, 2009 the Company was able to renegotiate the terms of the option agreement for 80,000 shares (issued). The amended terms require the company to issue common shares and make the following cash payments:

- \$15,000 on or before June 1, 2010;
- \$20,000 and 50,000 shares on or before June 1, 2011;
- \$25,000 and 100,000 shares on or before June 1, 2012;

In addition, the Company is required to issue 200,000 shares to the Optionor on receipt by the Company of a positive feasibility study, either in the form of a preliminary feasibility study or a bankable study, or upon commencement of commercial production. The Optionor is entitled to receive a 2% Net Smelter Return royalty on each of the mineral tenures. Upon commencement of commercial production the Company will have the right to purchase 50% of the NSR for \$500,000.

(iii) Sturgeon Lake

The Company has undergone a staking program in the Sturgeon Lake area of Ontario and has 71 claims registered. In order to maintain these claims, the company must spend between \$1,500 - \$ 6,500 per claim. This must be spent within two years from the date the claim was staked which is between March 2010 and July 2010.

Excalibur Resources Ltd.
Notes to Consolidated Financial Statements
For the Six-month Period Ended November 30, 2009

4. RESTORATION LIABILITY

As at November 30, 2009, management estimated site restoration costs relating to their exploration program on their mining claims relating to the Silver King Property to be \$10,000. These costs are estimated by management and approved by the Ministry of Energy, Mines and Petroleum Resources in the province of British Columbia ("MEMP"). The Company was required to issue reclamation bonds to cover these estimated restoration costs. The reclamation bonds will be returned to the Company upon the MEMP being satisfied with the site restoration.

5. CAPITAL STOCK

Authorized: 100,000,000 common shares without par value

Balance, May 31, 2008	64,406,696	\$ 8,487,402
Shares issued for property acquisitions ^(v)	380,000	18,600
Shares issued in settlement of debt ^(iv)	4,355,792	87,116
Share issued in connection with private placements ⁽ⁱⁱⁱ⁾	800,000	40,000
Less value allocated to warrants (Note 6(ii))	-	(4,000)
Balance, May 31, 2009	69,942,488	\$ 8,629,118
Shares issued in settlement of debt ⁽ⁱⁱ⁾	6,537,500	148,385
Share issued in connection with private placements ⁽ⁱ⁾	67,900,000	679,000
Share subscriptions received ⁽ⁱ⁾	2,100,000	21,000
Less: issuance costs (cash and shares)	600,000	(10,000)
Balance, November 30, 2009	147,079,988	9,467,503

- (i) In the current year, the Company issued 70,000,000 shares for gross proceeds of \$700,000. Of the total proceeds raised, \$431,500 qualify as Flow Through Funds under the rules of the Canada Revenue Agency.
- (ii) In the current year, the Company also issued 6,537,500 shares to settle \$148,325 in accounts payable.
- (iii) On December 23, 2008 the Company issued 4,355,792 shares at a price of \$0.02 to settle \$87,116 of accounts payable.
- (iv) On July 29, 2008 the Company issued 300,000 shares at a price of \$0.05 per share in payment of finder's fees for the Sturgeon Lake property (Note 3(iii)). On December 5, 2008 the Company issued 40,000 shares for property acquisition, and additional 40,000 shares were issued as an incentive to defer the cash payment (Note 3(ii)).
- (v) On July 14, 2008 the Company issued 800,000 units at \$0.05 per unit for gross proceeds of \$40,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the purchaser to acquire one common share at an exercise price of \$0.05 per common share for 18 months from issuance.

Excalibur Resources Ltd.
Notes to Consolidated Financial Statements
For the Six-month Period Ended November 30, 2009

6. STOCK OPTIONS AND WARRANTS

(i) Stock Options

The following summarizes the stock option activities:

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Beginning balance	4,713,000	\$ 0.07	4,463,000	\$ 0.07
Granted	-	-	250,000	\$ 0.07
Cancelled/expired	(1,675,000)	\$ 0.07	-	\$ -
Outstanding at period-end	3,038,000	\$ 0.06	4,713,000	\$ 0.07
Exercisable at period-end	3,038,000	\$ 0.06	4,713,000	\$ 0.07

The Company had the following options outstanding at November 30, 2009:

Number of Options	Price	Expiry Date
1,368,000	\$ 0.100	December 23, 2009
1,320,000	\$ 0.050	February 20, 2012
50,000	\$ 0.050	April 3, 2013
300,000	\$ 0.050	July 4, 2013
3,038,000		

(ii) Warrants

The following summarizes the warrant activities:

	2009		2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Beginning balance	26,603,759	\$ 0.12	11,170,000	\$ 0.10
Issued	800,000	\$ 0.05	16,433,759	\$ 0.14
Expired	(26,603,759)	\$ 0.12	(1,000,000)	\$ 0.10
Ending balance	800,000	\$ 0.05	26,603,759	\$ 0.12

Excalibur Resources Ltd.
Notes to Consolidated Financial Statements
For the Six-month Period Ended November 30, 2009

6. STOCK OPTIONS AND WARRANTS (Cont'd)

(ii) Warrants (cont'd)

As at November 30, 2009, the warrants outstanding have an exercise price of \$0.05 per warrant and expire on January 14, 2010. Below is a summary of the warrant capital:

	2009	2008
Contributed surplus beginning of period	\$ 745,686	\$ 273,155
Value attributed to warrants issued	4,000	472,531
Value of expired warrants (Note 8)	(745,686)	-
	\$ 4,000	\$ 745,686

7. STOCK-BASED COMPENSATION

The total stock compensation expense relating to options recognized in the year ended May 31, 2009 was \$9,770 (2008 - \$20,397). The fair value of each option granted in the current year was estimated at the date of grant or the date when it became measurable using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield of 0% (2008 - 0%); (ii) expected volatility of 89% (2008 - 212%); (iii) risk-free interest rate of 3.37% (2008 - 3.96%) and; (iv) expected life of 4 (2008 - 5) years. The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made in the period they occur.

8. CONTRIBUTED SURPLUS

	2009	2008
Contributed surplus beginning of period	\$ 286,955	\$ 266,558
Stock-based compensation expense (Note 7)	9,770	20,397
Value of expired warrants (Note 6)	745,686	-
	\$ 1,042,411	\$ 286,955

9. LITIGATION

A statement of claim was filed in the Ontario Superior Court against the Company by a former director and officer of the Company. The Company accrued \$57,575 with respect to this matter in these financial statements. This amount was settled by the issuance of 2,000,000 common shares during the quarter ended November 30, 2009.

10. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed to by the respective parties.

During the reporting period, management and administrative fees of \$28,000 (2008 - \$54,000) and \$10,000 (2008 - \$30,000) of consulting fees were paid or accrued to directors and officers of the Company and a company controlled by a director and officer of the Company. Included in accounts payable and accrued liabilities is \$12,600 owed to the above related parties.

11. CAPITAL DISCLOSURES

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, warrant capital, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further exploration on its properties. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants, debt or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy.

12. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities, in particular: interest rate risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Interest rate risk:

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash earns interest at market rates.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at November 30, 2009, the Company has accounts payable and accrued liabilities of \$268,496 due within 12 months and has cash and cash equivalents of \$273,155 to meet its current obligations. As a result the Company has liquidity risk and is dependent on raising additional capital.

13. SUBSEQUENT EVENTS

Effective January 11, 2010 the Company's issued and outstanding shares were consolidated on an 8 (old) for 1 (new) basis. Fractional shares resulting from the share consolidation were adjusted up to the next post-consolidation common share. The Company has 18,384,999 post-consolidated shares issued and outstanding.

On January 12, 2010 the Company granted 1,838,500 incentive stock options to its directors and officers, exercisable at \$0.16 per share for a five year period.



EXCALIBUR
RESOURCES LTD.

**Management Discussion & Analysis
For the Six Month period ended November 30, 2009**

The following discussion and analysis of the operations, results, and financial position of the Corporation for the period ended November 30, 2009 should be read in conjunction with the May 31, 2009 Audited Financial Statements and the related Notes. The effective date of this report is January 29, 2010. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for the Corporation can be found on the SEDAR website at www.sedar.com.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Corporation or its management, are intended to identify forward-looking statements. Such statements reflect the Corporation's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Corporation does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or development.

Excalibur Resources Ltd. (the "Corporation") was incorporated on May 11, 1983 pursuant to the *Company Act* (British Columbia) under the name Cactus West Explorations Ltd. The Corporation's name was changed to Cimarron Minerals Ltd. and its share capital was consolidated on a five (old) for one (new) basis on April 29, 1996. On May 1, 2000 the Corporation's name was changed to DiscFactories Corporation, its share capital was consolidated on a two (old) for one (new) basis and the Corporation was continued into the federal jurisdiction under the *Canada Business Corporations Act*. The Corporation was extra-provincially registered in the Province of British Columbia on May 30, 2000. On February 20, 2007 the Corporation completed a change of business transaction pursuant to which it changed its name from DiscFactories Corporation to Excalibur Resources Ltd.

Business Description

Excalibur Resources Ltd. is a junior exploration mining company focused on the discovery, development and mining of economically viable precious and base metal mineral resources. The Corporation is a reporting issuer in British Columbia, Alberta and Ontario and trades on the Canadian National Stock Exchange ("CNSW") under the symbol XBR and on the Frankfurt Stock Exchange under the security code WKN: A0MMDH. The Corporation maintains an office at 20 Adelaide Street East, Suite 400, Toronto, ON M5C 2T6. The Corporation's registered and records office is located Suite 3003, 6838 Station Hill Drive, Burnaby, BC V3N 5A4. The Corporation has one subsidiary, Excalibur Resources (US) Inc., incorporated under laws of the State of Nevada on April 24, 2007.

Results of Operations

On September 24, 2009 Mr. Timothy David Gallagher was appointed a director and Chairman of the Company. On October 9, 2009, the Company began a Phase I drilling program at its Silver King property. The objectives were to:

1. Test for the possibility of near surface, lower grade, open pit resources,
2. Begin testing the depth, and along strike potential of the Silver King structure for additional deposits of higher grade resources amenable to underground mining, and
3. Begin testing for additional mineralized structures that may occur within the one kilometer wide Silver King Shear zone, both parallel to, and crosscutting the known mineralized Silver King structure.

On November 24, 2009 the Company settled outstanding debt of \$20,750 owing to a former director and officer and a former officer of the Company by the issuance of common shares at \$0.02 per share and paid \$2,400 cash to a private company controlled by a director and officer to settle an outstanding amount of \$24,000.

Fees, notes payable and accrued interest in the amount of \$70,000 owing to the Estate of a former director and officer was assigned to a current director and officer of the Company. The assigned debt was settled by the issuance of 3,500,000 common shares at \$0.02 per share to the Assignor.

The Company issued 2,000,000 shares to settle a suit brought by a former director and officer of the Company. The Company historically accrued \$57,575 with respect to this matter in its financial statements for a gain of \$17,575.

In November, 2009 the Company completed a non-brokered private placement of 70,000,000 Shares at \$0.01 per Share for gross proceeds of \$700,000. Of the total proceeds raised, \$431,500 was utilized for eligible Canadian

exploration expenses incurred in fall programs on the Company's Silver King Property located in Nelson, BC and the Sturgeon Lake Project located in northwestern Ontario. A finder's fee of 10% was paid on a portion of the proceeds raised.

Silver King Property, British Columbia

On July 5, 2007 the Corporation entered into a binding letter of intent with Arbutus Resources Ltd. ("Arbutus"), a private British Columbia company, for an option to acquire 100% of Arbutus' interest in the Silver King Mine property, comprised of 24 Crown grants and six claims in the Kootenay District of British Columbia. Under the terms of the letter agreement, the Corporation can acquire Arbutus' 100% interest in the Silver King Property by making the following option payments in cash and shares:

- \$30,000 (plus a \$1,500 reimbursement of 2007 taxes) (paid) and 70,000 shares (issued) upon signing of the letter of intent;
- \$40,000 (paid) and 90,000 shares (issued) on or before June 1, 2008;
- \$55,000 and 140,000 shares on or before June 1, 2009;
- \$70,000 and 190,000 shares on or before June 1, 2010; and
- \$90,000 plus the greater of \$250,000 or 125% of the 2011 assessed value of each of the surface rights of certain lots comprising the Silver King Property and 250,000 shares on or before June 1, 2011.

Under the terms of the letter of intent, the Corporation is required to issue an additional 200,000 shares to Arbutus on receipt by the Corporation of a positive feasibility study, either in the form of a preliminary feasibility study or a bankable study, or upon commencement of commercial production.

In addition, Arbutus is entitled to receive a 3% net smelter return royalty on the Silver King Property (the "NSR"), which shall be in an amount not be less than \$50,000, adjusted by the Statistics Canada Consumer Price Index for British Columbia using 2006 as a base year. Arbutus is also entitled to receive an advanced royalty in the base amount of \$50,000, adjusted by the Statistics Canada Consumer Price Index for British Columbia using 2006 as a base year, due on December 31 in each year that the Silver King Property is not in commercial production for a full 12 months, starting in the year in which the option is exercised by the Corporation. The NSR will be reduced by the total of any advance royalty paid. Upon commencement of commercial production, the Corporation will have the right to purchase 50% of the NSR for \$1,500,000.

The Silver King Property is a former producer of silver and copper, located on Toad Mountain about 4½ miles south of Nelson, British Columbia at an average elevation of 6,000 feet above sea level. It is readily accessible from Nelson, with a road distance of approximately 8 miles, and is located in proximity to several existing gold discoveries in the area. The claims were originally staked in 1885. In 1895, Hall Mines Co. Ltd. of London, England began large scale development of the mine and construction of a smelter at Nelson to treat the Silver King ores and ores from other mines in the district. Between 1889 and 1958, over 15 million lbs. of copper and 4 million oz. of silver were produced from an estimated production of 222,721 tons. Most of this was produced before 1915 and was mined from the upper 100 meters of the Silver King veins. Development at this time included three portals, ten levels, an internal and an external shaft. The main Silver King vein, one of several quartz-filled shears on the property, has been responsible for nearly all the tonnage mined to-date. No National Instrument 43-101 compliant technical reports have yet been completed on the Silver King Property.

The Corporation commissioned an independent consultant to digitize a Pre-NI43-101 Report on the Silver King Property which was prepared by Robert Longe, P.Eng and dated May, 1998. The Report can be accessed from the Corporation's website, along with updated claim changes made since the Longe Report was produced.

During September, 2007 the Corporation made arrangements with independent geological consultants to delineate a maximum 12-hole diamond drill program in order to confirm the exploration and economic potential of the Silver King Property.

During the summer 2008 exploration season, the Corporation's geological team, under the guidance of Dr. Hamid Mumin, completed the first phase of a field work program at the Silver King Property. The work included detailed property mapping and sampling all mineralized areas encountered at surface including pits, trenches and outcrops. In addition, the team sampled the Corporation's adjacent Cariboo gold showing located immediately east of the Silver King property.

140 samples were analyzed by Acme Analytical Laboratories of Vancouver, B.C. Canada for geochemical values by four-acid digestion, ICP-MS analysis. All samples greater than 10,000 ppm (>1.0%) base metal content or greater than 200 ppm (200 g/mt) silver have been re-assayed to determine final values. Samples of visually mineralized material or immediately adjacent wall rocks, as well as unmineralized country rock samples and areas not associated with the main Silver King shear can be viewed on the Corporation's web site at www.excaliburresources.ca. Excalibur has released the results of all over-limit assays in an October 3, 2008 news release.

During the month of August 2009, the Corporation renegotiated the terms of its option agreement with J.D. Graham & Associates Ltd. ("Graham") dated July 5, 2007 to acquire a 100% interest in the Silver King Mine property. Pursuant to the original terms of the agreement the Corporation was to pay Graham total cash payments of \$535,000 and issue 740,000 common shares over a four year period. The agreement has been revised to reduce the cash payment which was required to be paid on June 1, 2009 from \$55,000 to \$40,000, and to extend the payment date to June 1, 2010. Subsequent cash payments and share issuances have also been deferred for a one year period from the original agreement.

In October, 2009 the Company carried out a 2,100 meter Phase One diamond drilling program on the Silver King Property. Mineralization was intersected in 24 of 25 drill holes. Drill hole XB-09-04 intersected 3.95 meters of 14.13 oz/t Ag, 0.70 g/t Au, 3.18% Cu, 0.36% Zn and 0.10% Pb. The results were intersected near surface between 13.45 meters and 17.40 meters (true width has not been determined). Holes XB-09-01 and 02 intersected near surface strongly leached and oxidized portions of the mineralized zone with minor metal values.

Most of the diamond drilling was carried out within 50 meters of surface, with the exception of four deeper holes in the Dandy area, which tested the zone to a maximum depth of approximately 150 meters below surface. The Silver King shear zone was tested across roughly 1.1 km, with mineralization still open along strike in both directions and at depth. Re-assays for gold values are pending for 15 of the 25 drill holes.

Significant Intervals									
DDH #	From (m)	To (m)	Length (m)	Ag g/t	Ag oz/t	Au ppb	Cu %	Pb %	Zn %
XB-09-11	14.02	16.13	2.11	46.7	1.5	pending	0.79	0.03	0.06
XB-09-12	17.19	19.19	2.00	55.2	1.8	pending	1.67	0.01	0.03
XB-09-13	18.00	19.00	1.00	56.3	1.8	pending	0.52	0.05	0.13
	26.21	26.82	0.61	93.4	3.0	pending	0.76	0.01	0.04
XB-09-14	60.81	64.70	3.89	188.0	6.0	pending	1.50	0.08	0.21
XB-09-15	23.16	23.87	0.71	83.8	2.7	pending	0.87	0.07	0.09
XB-09-16	33.95	35.27	1.32	88.0	2.8	pending	0.59	0.69	0.16
XB-09-17	115.45	116.75	1.30	49.0	1.6	pending	0.80	0.07	0.08
XB-09-18	134.24	135.5	1.26	36.2	1.2	pending	0.30	0.00	0.05
	161.48	162.28	0.80	60.3	1.9	pending	0.08	0.18	0.07
XB-09-19	14.20	15.65	1.45	98.9	3.2	311	0.17	1.84	0.82
XB-09-20	17.66	19.68	2.02	166.3	5.3	380	0.64	3.21	2.26
XB-09-21	26.96	28.70	1.74	40.1	1.3	87	0.37	1.22	0.52
XB-09-22	124.35	125.87	1.52	32.7	1.1	108	0.40	0.20	0.33
XB-09-23	146.55	148.03	1.48	155.1	5.0	309	0.38	0.23	0.16
XB-09-24	52.21	55.48	3.27	240.8	7.7	207	1.12	2.19	0.19
XB-09-25	No significant interval								

The program was terminated due to snow conditions on the mountain. The 2009 drill program has validated the historical 1966-67 and 2006 drilling results, and has provided the Company with confirmation of several zones with significant values; the existence of previously unrecognized veins; and that the mineralized zone extends to depth below historical drilling.

Cariboo Claims, British Columbia

On December 12, 2007 the Corporation announced that it had entered into a binding Letter of Intent with Tom E. Cherry (the "Optionor") for an option to acquire 100% of his interests in the Cariboo Group claims and the Princess and Cleopatra claims (the "Cariboo Claims"), representing a total of five claim units near the City of Nelson, in the Kootenay District of British Columbia.

Under the terms of the Letter of Intent, the Corporation can acquire the Optionor's 100% interest in the claims by making the following option payments in cash and shares:

- \$10,000 (paid) and 25,000 shares (issued) upon signing of the Letter of Intent;

- \$15,000 and 40,000 shares (issued) on or before December 1, 2008;
- \$20,000 and 50,000 shares on or before December 1, 2009;
- \$25,000 and 100,000 shares on or before December 1, 2010.

In addition, the Corporation is required to issue 200,000 shares to the Optionor on receipt of a positive feasibility study, either in the form of a preliminary feasibility study or a bankable study, or upon commencement of commercial production. The Optionor is entitled to receive a 2% Net Smelter Return royalty on each of the mineral tenures. Upon commencement of commercial production the Corporation will have the right to purchase 50% of the NSR for \$500,000.

The Cariboo Group claims comprise approximately 58 hectares (143 acres). The Princess and Cleopatra claims represent 17.7 hectares (43.7 acres) and 11.2 hectares (27.7 acres) respectively. The Cariboo Group claims lie mainly contiguous to the south-east of the Silver King Mine property boundary with some small gaps. The Cleopatra and Princess claims are located north-east of and approximately 2.5 km from the Silver King boundary. During the Corporation's summer 2008 Silver King field program, samples were collected from the Cariboo Group claims, the results of which were reported upon in the Corporation's October 3, 2008 news release.

On December 1, 2008 the Optionor agreed to amend the terms of the Letter of Intent to provide that the Corporation issue 40,000 common shares, as an incentive to defer the \$15,000 payment due to the Optionor on December 1, 2008, until June 11, 2009. On December 5, 2008 the Corporation issued 40,000 shares at a deemed price of \$0.05 per share, for aggregate consideration of \$2,000, representing the second tranche of shares to be issued pursuant to the Letter of Intent. The Corporation also issued 40,000 common shares at a deemed price of \$0.05 per share in consideration of the Optionor deferring the cash payment of \$15,000 until June 11, 2009.

During the month of August, 2009 the Corporation renegotiated the terms of its option agreement with the Optionor dated December 10, 2007. The agreement has been revised to defer a \$15,000 cash payment originally due on December 1, 2008 until June 1, 2010 and to defer subsequent cash payments totaling \$45,000 due December 1, 2009 and December 1, 2010 to June 1, 2011 and June 1, 2012. In addition, share issuances aggregating 150,000 common shares due December 1, 2009 and December 1, 2010 have been deferred to June 1, 2011 and June 1, 2012.

Sturgeon Lake Claims, Ontario

During the summer of 2008 the Corporation announced the completion of an 8,956 hectare (38 claims) staking program located in Northwestern Ontario. The western boundary of the staked property is located approximately 25 km east of Sturgeon Lake. The Sturgeon Lake mining camp was active from 1970-1990, producing approximately 20 million tons of high-grade Zn-Cu-Pb-Ag-Au bearing ores.

The Corporation began staking the property after recognizing that the majority of significant geophysical conductors identified in the Sturgeon Lake camp in a 1990's government survey are located on the property being staked and that the area was never thoroughly explored. Past drilling is minimal to non-existent over most of the property. The Corporation has determined from historical data that surveys undertaken on the west side of the property confirm that identified geophysical conductors are sulphide rich, including the presence of massive sulphide lenses. The Corporation's property contains numerous extensive zones of multiple sub-parallel and stacked sulphide-bearing conductors that cumulatively exceed 100 km of strike length.

In addition, the identified geophysical conductors are located along strike of six mined VMS (Volcanogenic Massive Sulphide) deposits in this mineral belt. The most notable former mines in the area included operations containing high-grade zinc-copper-silver with associated lead and gold. The well-known Matabi, Lyon Lake and Sturgeon Lake mines operated in proximity and along strike of the Corporation's current property location. Due to a cyclical downturn in metal prices, the mines terminated production in the 1980's and early 1990's.

In November, 2009 the Corporation commenced a major exploration program to isolate zones of maximum sulphide accumulation. Geotech Ltd. of Aurora, Ontario was contracted to execute a VTEM geophysical survey on 100 meter line spacings across the entire property. The survey shows a series of strong and laterally extensive conductors, across the 27 km strike length of the property, comparable to those hosting VMS and nickel deposits in other mining camps. Previous fieldwork confirms that the VTEM conductors are sulphide-bearing horizons with anomalous Cu, Zn, Ag, and Au.

These target zones will be prioritized for detailed follow-up ground work commencing in the spring of 2010, including line cutting, geological mapping and sampling, alteration and structural mapping, boulder tracing, soil geochemical discrimination surveys and other work as appropriate. The Company expects to commence Phase One drilling for initial target testing by August, 2010.

The Sturgeon Lake region has good road access and infrastructure as a result of being a former mining district. Sturgeon Lake is reached from Trans Canada Hwy #17 and is approximately 60 km north of Ignace, Ontario.

Overall Performance during the period ended November 30, 2009

The Corporation's loss of \$62,487 for the quarter is in line with the comparable quarter in 2008 with a loss of \$60,006. The loss of \$104,972 for the six-month period ended November 30, 2009 is a decrease of \$32,929 from the comparable period in 2008. The increases (decreases) for the period were as follows:

Net Increases (Decreases) for the Period	
Amortization of Capital Assets	\$ (407)
Consulting fees	(20,000)
Management and Administrative fees	(26,000)
Office and administrative expenses	18,982
Professional fees	(9,931)
Promotion & investor relations	(9,223)
Regulatory and transfer agent fees	4,098
Research & development contract	34,100
Travel	(2,948)

Consulting fees, management fees, and administrative fees totaling \$71,788 were incurred for the reporting period, a decrease of \$27,018 from \$98,806 in 2008 due to a reduction in management. Professional fees of \$2,285 decreased during the reporting period by \$9,932 (2008: \$12,216). Regulatory and transfer agent fees of \$9,413 due to the holding of an annual meeting increased during the reporting period (2008: \$5,315). Promotion and investor relations expenses were \$8,986, a decrease of \$9,223 (2008 - \$18,209) as the Company scaled back on all promotional efforts. A research and development contract for \$34,100 was signed with Brandon University during the reporting period.

Liquidity and Capital Resources

At November 30, 2009 the Corporation had cash of \$273,155 and working capital of \$54,610 compared to cash of \$7,996 and a working capital deficit of \$246,883 as at November 30, 2008.

At this time, the Corporation has no operating revenue, and does not anticipate any operating revenues until the Corporation is able to find, acquire, place in production and operate a resource property. Historically the Corporation has raised funds through equity financing to fund its operations. The Corporation feels it can meet its future obligations and will either raise funds through equity financing, the exercise of options and warrants, or enter into other financing arrangements if deemed necessary.

Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the last eight quarters.

Three Months Ended	Nov 30, 2009	Aug. 31, 2009	May 31, 2009	Feb. 28, 2009
	\$	\$	\$	\$
Net sales or revenue	Nil	Nil	Nil	Nil
Loss before extraordinary items	62,487	14,484	784	70,043
Extraordinary items	Nil	Nil	652,801	Nil
Net Loss (Profit)	62,487	14,484	653,585	70,043
Basic & Diluted Loss per common share	0.0007	0.0002	0.009	0.001

Three Months Ended	Nov 30, 2008	Aug. 31, 2008	May 31, 2008	Feb. 29, 2008
	\$	\$	\$	\$
Net sales or revenue	Nil	Nil	Nil	Nil
Loss before extraordinary items	60,006	77,895	120,834	85,959
Extraordinary items	Nil	Nil	Nil	Nil
Net Loss (Profit)	60,006	77,895	120,834	85,951
Basic & Diluted Loss per common share	0.001	0.001	0.002	0.001

Related Party Transactions

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed to by the respective parties.

During the reporting period, management and administrative fees of \$28,000 (2008 - \$54,000) and \$10,000 (2008 - \$30,000) of consulting fees were paid or accrued to directors and officers of the Company and a company controlled by a director and officer of the Company. Included in accounts payable and accrued liabilities is \$12,600 owed to the above related parties.

Off Balance Sheet Arrangements

The Corporation has not entered into any off-balance sheet arrangements.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities, and revenue and expenses are translated at rates of exchange at each transaction date. Gains or losses on translation are included in income.

Use of Estimates

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

Earnings (Loss) Per Share

The Corporation follows the treasury stock method in determining the dilutive effect of options and warrants. Previously, the imputed earnings approach was used. For the period presented, the calculation of diluted earnings (loss) per share proved to be anti-dilutive.

Stock-Based Compensation

The Corporation has adopted CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees. The standard requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to employee awards that are direct awards of stock that call for settlement in cash and other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. The new standard permits the Corporation to continue its existing policy of recording no compensation cost on the grant of stock options to employees but to disclose on a pro forma basis net earnings and earnings per share had the Corporation adopted the fair value method for accounting for options granted to employees. No restatement of prior periods will be required as a result of the adoption of the new standard.

Financial Instruments

Fair value

The Corporation's financial instruments include cash and accounts payable and accrued liabilities. The carrying value of these financial instruments approximates fair value due to their short-term to maturity and the normal market conditions they entail.

Risks and Uncertainties

The Corporation is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties in the United States and Canada. Due to the nature of the Corporation's business and the present stage of exploration of its mineral properties (which are primarily early stage exploration properties with no known resources or reserves that have not been explored by modern methods), the following risk factors, among others, will apply:

The mining industry is intensely competitive. The Corporation is in the business of acquiring, exploring and developing mineral properties. The mining industry is intensely competitive and the Corporation will compete with other companies that have far greater resources.

Resource exploration and development is generally a speculative business. Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Corporation will be affected by numerous factors beyond the control of the Corporation. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Corporation not receiving an adequate return on invested capital. The great majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

Fluctuation of Metal Prices. Even if commercial quantities of mineral deposits are discovered by the Corporation, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Corporation may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Corporation, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any mineral deposit will be such that any of its mineral properties could be mined at a profit.

Permits and Licenses. The operations of the Corporation will require licenses and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

There is no assurance of profitability. The Corporation has no history of earnings and, due to the nature of its proposed business, there can be no assurance that the Corporation will ever be profitable. The Corporation has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Corporation is from the sale of its common shares or, possibly, the sale or optioning of a portion of its interest in its mineral properties. Even if the results of exploration are encouraging, the Corporation may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Corporation may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Corporation at risk.

Uninsured or Uninsurable Risks. The Corporation may become subject to liability for pollution or hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Corporation's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation. Any exploration, development or mining operations carried on by the Corporation will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining prospect is affected by the market for precious and/or base metals which is influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing corporations, the political environment and changes in international investment patterns.

Environmental Matters. Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Corporation, the extent of which cannot be predicted and which may well be beyond the capacity of the Corporation to fund. The Corporation's right to exploit any mining properties will be subject to various reporting requirements and to obtaining certain government approvals and there can be no assurance that such approvals, including environment approvals, will be obtained without inordinate delay or at all.

Insufficient Financial Resources. The Corporation does not presently have sufficient financial resources to undertake by itself the exploration and development of all of its planned exploration and development programs. The development of the Corporation's properties will therefore depend upon the Corporation's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There can be no assurance that the Corporation will be successful in obtaining the required financing. Failure to raise the required funds could result in the Corporation losing, or being required to dispose of, its interest in its properties. In particular, failure by the Corporation to raise the funding necessary to maintain its properties in good standing could result in the loss of its rights to such properties.

Foreign Counties and Regulatory Requirements. At present all of the mineral properties in which the Corporation has an interest, or the right to acquire an interest, are located the United States and Canada. Any changes in regulations or shifts in political conditions are beyond the control of the Corporation and may adversely affect its business. Operations may be affected, to varying degrees, by changes in federal or state legislation and regulations and the affects of any changes cannot be accurately predicted. The Corporation identifies changes and potential changes in environmental legislation, regulations, and "best practices guidelines" as one source of potential risk in this regard.

Dependence Upon Others and Key Personnel. The success of the Corporation's operations will depend upon numerous factors, many of which are beyond the Corporation's control, including (i) the ability to design and carry out appropriate exploration programs on its mineral properties; (ii) the ability to produce minerals from any mineral deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the properties held by the Corporation. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Corporation and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Corporation's operations will depend, or that the Corporation will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and mining personnel and consultants is particularly intense in the current marketplace.

Currency Fluctuations. The Corporation presently maintains its accounts in Canadian dollars. The Corporation's operations in the United States and its payment commitments and exploration expenditures under the various agreements governing its rights to its mineral properties are denominated in U.S. dollars, making it subject to foreign currency fluctuations. Such fluctuations are out of its control and may materially adversely affect the Corporation's

financial position and results.

Price Fluctuations and Share Price Volatility. In recent years, global securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration and development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual and extreme fluctuations in price will not occur.

Surface Rights and Access. Although the Corporation acquires the rights to some or all of the minerals in the ground subject to the tenures that it acquires, or has a right to acquire, in some cases it may not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Corporation will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Corporation may need to rely on the assistance of local officials or the courts in such jurisdiction

Title. Although the Corporation has taken steps to verify the title to the mineral properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Corporation or of any underlying vendor(s) from whom the Corporation may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Management's Report on Internal Control over Financial Reporting

In connection with Exemption Orders issued in November, 2007 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Corporation will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under Multilateral Instrument 52-109 ("MI 52-109") (Certificate of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in MI 52-109.

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") 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. 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.

Outstanding Share Data

The Corporation has one class of common shares and is authorized to issue 100,000,000 common shares without par value. On January 11, 2010 the Company's outstanding shares were consolidated on the basis of eight (old) shares being consolidated into one (new) share, resulting in 18,384,999 common shares issued and outstanding.

As at January 29, 2010 the Corporation had granted the following incentive stock options pursuant to its Stock Option Plan:

Number of Options	Exercise Price	Expiry Date
152,250 *	\$0.40	February 20, 2012
6,250 *	\$0.40	April 3, 2013
37,500 *	\$0.40	July 4, 2013
<u>1,642,500</u>	\$0.16	Jan 12, 2015
1,838,500		

* The Company's issued and outstanding shares were consolidated on an 8:1 basis effective January 11, 2010, therefore these options and the corresponding exercise prices are presented on the post-consolidation basis.

As at January 29, 2010 there were no share purchase warrants outstanding.

Subsequent Events

The Company held its annual and special meeting on December 3, 2009 where five directors were appointed to the board, consisting of current directors Tim Gallagher and Dianne Szigety and newly appointed directors Andrew Thomson, David J. Libby and Andrew Robertson. Shareholder approval was received at the Meeting to consolidate the Company's shares on an 8:1 basis. On January 11, 2010 the Company proceeded to consolidate its shares which resulted in 18,384,999 shares issued and outstanding. A new CUSIP number of 30065J 20 6 was assigned to the post-consolidated shares. The Company's name and trade symbol did not change.

The Company granted an aggregate of 1,838,000 incentive stock options exercisable at \$0.16 per share for a 5 year period to directors and consultants, pursuant to its Stock Option Plan.