JET GOLD CORP.

FINANCIAL STATEMENTS

NOVEMBER 30, 2009

(Prepared by management without audit)

Jet Gold Corp.
507 – 475 Howe Street
Vancouver, B.C.
V6C 2B3

January 25, 2010

To the Shareholders of
Jet Gold Corp.

The attached unaudited financial statements have been prepared by management without review by the auditors of Jet Gold Corp.

Yours truly,

*"**Robert L. Card**"*

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Robert L. Card
President

JET GOLD CORP.
BALANCE SHEETS
AUGUST 31

	November 30, 2009	August 31, 2009
ASSETS		
Current		
Cash	$ 14,104	$ 44,978
Mineral exploration tax credits receivable (Note 4)	31,966	31,966
Amounts receivable	11,388	21,900
	57,458	98,844
Reclamation Bonds (Note 3)	12,000	12,000
Deposits	5,000	5,000
Mineral Interests (Note 4)	134,303	118,441
Oil and Gas Interests (Note 5)	1	1
Equipment (Note 6)	2,193	2,342
	$ 210,955	$ 236,628
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 147,896	$ 137,114
Shareholders' Equity		
Capital stock (Note 7)	5,955,078	5,944,578
Contributed surplus (Note 7(i))	592,888	592,888
Deficit	(6,484,907)	(6,437,952)
	63,059	99,514
	$ 210,955	$ 236,628

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 14)

On behalf of the Board:

"Robert Card" (signed) Director *"Len Harris" (signed)* Director

Robert L. Card Len Harris

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

JET GOLD CORP.
STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
(Prepared by management without audit)

	November 30, 2009	November 30, 2008
EXPENSES		
Administration fees (Note 8)	$ 18,000	$ 18,000
Consulting fees (Note 8)	16,500	13,500
Legal, audit and accounting	6,000	6,000
Regulatory and transfer agent fees	1536	1,155
Rent (Note 8)	3,514	3,318
Investor relations	-	2,000
Office and miscellaneous	4,335	568
Printing and shareholder information	330	1,045
Travel	-	105
Amortization	149	203
	(46,955)	(45,894)
OTHER ITEMS		
Interest income	-	16
Loss Before Future Income Tax Recovery	(46,955)	(45,878)
	-	-
Net Loss and Comprehensive Loss for Period	(46,955)	(45,878)
Deficit, Beginning of Period	(6,437,952)	(5,207,086)
Deficit, End of Period	$ (6,484,907)	$ (5,252,964)
Basic and Diluted Loss Per Share	$ (0.00)	$ (0.00)
Weighted Average Number of Common Shares Outstanding	27,236,792	26,618,755

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

JET GOLD CORP.
STATEMENTS OF CASH FLOWS
(Prepared by management without audit)

	November 30, 2009	November 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (46,955)	$ (45,878)
Items not affecting cash:		
Amortization	149	203
Stock-based compensation	-	-
Changes in non-cash working capital items:		
Amounts receivable	10,512	2,415
Prepaid expenses	-	-
Accounts payable and accrued liabilities	10,782	29,938
Cash used in operating activities	(25,512)	(13,322)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on mineral interests	(5,362)	(75,726)
Recovery from oil and gas interests	-	2,571
Deposits	-	14,392
Cash provided by (used in) investing activities	(5,362)	(58,763)
CASH FLOWS FROM FINANCING ACTIVITY		
Common shares issued, net of issue costs	-	-
Cash provided by financing activity	-	-
Change in Cash During the Period	(30,874)	(72,085)
Cash, Beginning of Period	44,978	82,551
Cash, End of Period	$ 14,104	$ 10,466
Interest Paid	$ -	$ -
Income Taxes Paid	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 9)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Jet Gold Corp. (the "Company") is an exploration stage company incorporated under the laws of British Columbia on April 24, 1987. The Company is in the process of exploring and developing its mineral properties and has not determined whether these properties contain economically recoverable reserves of ore. The Company has not yet earned significant revenues from its mineral interests.

The Company's financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss of $46,955 for the quarter ended November 30, 2009 (2008 - $45,878). As at November 30, 2009, the Company had an accumulated deficit $6,484,907 (2009 - $6,437,952) and a working capital deficiency of $90,438 (2009 - $38,270 working capital).

The ability of the Company to continue as a going concern and meet its commitments as they become due, including completion of the acquisition, exploration and development of its mineral interests, is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and expected growth, if necessary, or alternatively to dispose of its mineral interests. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, the Company will be unable to continue.

The business of mineral exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead, pay its debts and liabilities, and maintain its mineral interests. The recoverability of amounts shown for mineral properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these mineral interests, and future profitable production or proceeds from disposition of mineral interests. The carrying value of the Company's mineral interests does not reflect current or future values.

These financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts, unless specifically indicated otherwise, are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 amounts of revenues and expenses during the year. Significant areas requiring the use of management estimates include the determination of environmental and asset retirement obligations, rates for amortization, the impairment of mineral and oil and gas interests, the assumptions used in the determination of the fair value of stock-based compensation and the valuation allowance for future income tax assets. While management believes the estimates used are reasonable, actual results could differ from the estimates and could impact future results of operations and cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments and comprehensive income

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities. All financial instruments and derivatives are measured and reported on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured and reported at amortized cost using the effective interest rate method. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes are recognized in net income (loss) in the period in which the change occurs. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income until the financial instrument is derecognized or impaired. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

Comprehensive income (loss) is defined as the change in equity from transactions and other events from sources other than the Company's shareholders. Other comprehensive income or loss refers to items recognized in comprehensive income or loss that are excluded from operations calculated in accordance with Canadian GAAP.

(d) Equipment

Equipment is carried at cost. Amortization is calculated using the declining balance method applying the following annual rates:

Computer equipment	30%
Furniture and fixtures	20%

Additions during the year are amortized at one-half the annual rates.

(e) Mining exploration tax credit ("METC")

The Company recognizes METC receivable amounts from the government as a recovery in the period in which recoverability can be established and the amount quantified.

(f) Mineral interests

All costs related to the acquisition, exploration and development of mineral interests are capitalized on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral interests are either developed or the Company's mineral rights are allowed to lapse.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Mineral interests (Continued)

All deferred resource property expenditures are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are recorded as property costs or recoveries when the payments are made or received.

(g) Oil and gas interests

The Company follows the full cost method of accounting, which provides all costs incurred in connection with the exploration for and the acquisition and development of oil and gas properties, including non-productive costs, be capitalized. These costs include the cost of land acquired or leased, intangible drilling costs, tangible costs such as those for equipment, casing and attachments, and completion costs as well as re-completion costs on both productive and non-productive wells.

Such costs are accumulated in centres established on a country-by-country basis and depleted using the unit-of-production method based upon the estimated proven oil and gas reserves in each cost centre as determined by independent engineers, or charged to operations if exploration in any cost centre is determined to be unsuccessful. Proceeds on disposal of oil and gas interests are ordinarily deducted from costs with no recognition of gains or losses.

Oil and gas interests are carried at the lower of capitalized costs less accumulated depletion and amortization, and estimated net recoverable amount (which is the undiscounted aggregate of estimated future net revenues of proven oil and gas reserves, less estimated costs to develop those reserves, future administrative and general expenses, financing costs, restoration costs and income taxes). The recovery of oil and gas interests is evaluated annually to estimate the remaining oil and gas reserves. Actual results could differ from those estimates.

(h) Asset retirement obligation ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present the Company has determined that it has no material AROs to record in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral interests, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

(j) Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. The income tax benefits foregone constitute share issue costs and are reflected in capital stock with an offsetting increase to future income tax liability.

(k) Reclamation bonds

Reclamation bonds are recorded at cost and are held in trust with the Ministry of Energy, Mines and Petroleum Resources at a major Canadian financial institution.

(l) Warrants

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated entirely to common shares.

(m) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments on its loss per share. Under this method, the dilutive effect on basic loss per share is calculated assuming that all proceeds from the exercise of stock options, warrants and/or similar instruments would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(n) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) New accounting standards

Effective September 1, 2008, the Company adopted the following standards of the Canadian Institute of Chartered Accountants' ("CICA") Handbook:

(i) Capital Disclosures

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

As a result of the adoption of this standard, additional disclosure on the Company's capital management strategy have been included in Note 12.

(ii) Financial Instruments

Section 3862, "Financial Instruments – Disclosures", specifies disclosures that enable users to evaluate: (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, "Financial Instruments – Recognition and Measurement", Section 3863, "Financial Instruments – Presentation", and Section 3865, "Hedges".

Section 3863, "Financial Instruments – Presentation", specifies presentation requirements that help to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for the presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset (Note 11).

(iii) Going Concern

In June 2007, the CICA approved amendments to Handbook Section 1400, "General Standards of Financial Statement Presentation". These amendments require management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The standard was adopted by the Company effective September 1, 2008. See Note 1 to these financial statements for disclosure relating to this section.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Recent accounting pronouncements

(i) International Financial Reporting Standards ("IFRS")

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 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The IFRS standards will be effective for the Company for interim and fiscal reporting periods commencing September 1, 2011. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011. While the Company has begun the process of assessing the adoption of IFRS, the financial reporting impact of the transition cannot be reasonably estimated at this time.

(ii) Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Handbook Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests", which replace CICA Handbook Sections 1581, "Business Combinations", and 1600, "Consolidated Financial Statements".

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

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

(iii) Goodwill

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This new section is effective for the Company on September 1, 2009. The Company is in the process of assessing the impact of this new section on its financial statements.

3. RECLAMATION BONDS

The Company holds the following reclamation bonds:

	November 30, 2009	August 31, 2009
Ministry of Energy, Mines and Petroleum Resources matures in August 2010 at an interest rate of 2.00%	$ 8,000	$ 8,000
Ministry of Energy, Mines and Petroleum Resources matures in April 2010 at an interest rate of prime less 2.65%	4,000	4,000
	$ 12,000	$ 12,000

4. MINERAL INTERESTS

Expenditures incurred on the Company's mineral interests during the period ended November 30, 2009 are as follows:

	Naskeena	Kshish	Virginia Gold	Total
Balance, August 31, 2008	807,878	104,744	-	912,622
Exploration costs				
Assay	3,733	123	-	3,856
Drilling	73,924	-	-	73,924
Geological	2,710	-	-	2,710
Field	6,613	19,445	-	26,058
Total additions during year	86,980	19,568	-	106,548
Mineral exploration tax credits	(26,095)	(5,871)	-	(31,966)
Recovery of acquisition costs	(10,525)	-	-	(10,525)
Mineral interests written off	(858,238)	-	-	(858,238)
Balance, August 31, 2009	$ -	$ 118,441	$ -	$ 118,441
Acquisition cost		10,500	5,362	15,862
Balance, November 30, 2009	$ -	$ 128,941	$ 5,362	134,303

4. MINERAL INTERESTS (Continued)

(a) Naskeena Group property, British Columbia

The Company entered into an option agreement to acquire a 100% interest in three coal license applications covering lands in the Skeena Mining Division, located near Terrace, British Columbia. To exercise its option, the Company must complete the following:

(i) Cash payments aggregating $55,000 (paid);

(ii) To incur $600,000 in exploration expenditures on the property as follows:

(a) $100,000 on or before March 31, 2007 (incurred);
(b) $200,000 on or before March 31, 2008 (incurred);
(c) $300,000 on or before March 31, 2009 (incurred);

(iii) To issue 2,000,000 common shares of the Company to the optionors as follows:

(a) 400,000 common shares on regulatory approval (issued and valued at $122,000);
(b) 400,000 common shares on or before April 21, 2007 (issued and valued at $96,000);
(c) 500,000 common shares on completion of a feasibility report; and
(d) 700,000 common shares upon placing the property into commercial production.

The optionor has retained a 2% royalty on the sale of coal or other products from the property. The Company has the right to purchase one-half of the royalty by paying $500,000 to the optionor.

During fiscal 2009, the Company abandoned the property and, accordingly, wrote-off exploration and acquisition expenditures of $858,238.

(b) Kshish Molybdenum property, British Columbia

The Company entered into an option agreement to acquire a 100% interest in three mineral claims, the Kshish Molybdenum property, in the Skeena Mining Division located near Terrace, British Columbia. To exercise its option, the Company must complete the following:

(i) Cash payments aggregating $25,000 payable as follows:

(a) $5,000 (paid) on execution of the agreement;
(b) $5,000 (paid) 30 days from TSX Venture Exchange approval;
(c) $5,000 six months from regulatory approval date;
(d) $5,000 one year from regulatory approval date and the production of a 43-101 report recommending continuation of exploration;
(e) $5,000 two years from regulatory approval;

The Company and the vendor have agreed that the payment of $5,000 six months from regulatory approval date and $5,000 one year from regulatory approval date will be paid immediately upon the Company closing its next private placement.

4. MINERAL INTERESTS (Continued)

(b) Kshish Molybdenum property, British Columbia (Continued)

(ii) To incur $500,000 in exploration expenditures on the property as follows:

(a) $50,000 on or before December 3, 2008 (done);
(b) $150,000 on or before December 3, 2009;
(c) $300,000 on or before December 3, 2010;
(d) $500,000 on or before December 3, 2011;

The Company and the vendor have agreed to defer the shortfall of exploration expenditures not incurred on or before December 3, 2009 to December 3, 2010.

(iii) To issue 800,000 common shares of the Company to the optionors as follows:

(a) 250,000 common shares on regulatory approval (issued and valued at $40,000);
(b) 150,000 common shares one year from the date of regulatory approval (see Note 14(c), issued and valued at $10,500);
(c) 100,000 common shares two years from date of regulatory approval; and
(d) 300,000 common shares upon placing the property into commercial production.

The optionor has retained a 2% net smelter royalty on the value of mineral produced and delivered from the property. The Company has the right to purchase the royalty by paying $1,000,000 to the optionor.

(c) Virginia Gold property, Arizona USA

The Company entered into an option agreement to acquire a 100% interest in four mineral claims, the Virginia Gold property, in the Sheep Tanks Mining District located in La Paz County, Arizona. To exercise its option, the Company must complete the following:

(i) Cash payments aggregating $20,000 payable as follows:

(a) $5,000 (paid) on signing of the agreement;
(b) $5,000 upon the earlier of expenditure of $100,000 on the property or December 31, 2010;
(c) $5,000 upon the earlier of expenditure of an aggregate of $200,000 on the property or December 31, 2011; and
(d) $5,000 upon the earlier of expenditure of an aggregate of $300,000 on the property or December 31, 2012;

(ii) To issue 300,000 common shares of the Company to the optionor as follows:

(a) 100,000 common shares upon the earlier of expenditure of $100,000 on the property or December 31, 2010;
(b) 100,000 common shares upon the earlier of an additional $100,000 on the property or December 31, 2011; and
(c) 100,000 common shares upon the earlier of the expenditure of an aggregate of $300,000 on the property or December 31, 2012.

The optionor has retained a 2% net smelter royalty on the value of mineral produced and delivered from the property. The Company has the right to purchase the royalty by paying $1,000,000 to the optionor.

4. MINERAL INTERESTS (Continued)

Realization of assets

The investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

Title to mineral property interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

5. OIL AND GAS INTERESTS

(a) Stewart Prospect, Texas

The Company acquired a 2.5% working interest (1.875% net revenue interest) in a drilling test well on an oil and gas prospect located in Goliad County, Texas. The test well was plugged and abandoned and, accordingly, $26,042 in exploration costs has been written-off, leaving a carrying value of $5,410 in acquisition costs for the prospect at August 31, 2006.

During the year ended August 31, 2009, the Company wrote-off its project cost of $10,315 to a nominal value of $1.

5. OIL AND GAS INTERESTS (Continued)

(b) Funk Prospect, Texas

The Company acquired a 5% working interest (0.725% net revenue interest) in a drilling test well on an oil and gas prospect located in Goliad County, Texas. The Company has received $4,570 (2008 - $2,278) in revenue, which has been netted against the project costs.

During the year ended August 31, 2009, the Company wrote-off its net project cost of $130,139.

(c) Harris #2 Prospect, Texas

The Company acquired a 2% interest in two drilling projects in Live Oaks County, Texas.

During the year ended August 31, 2009, the Company wrote-off its project cost of $27,564.

(d) Warner 27-1 Prospect, North Dakota

The Company acquired a 1.5% back-in working interest after payout in a drilling test well on an oil and gas prospect located in Stark County, North Dakota.

During the year ended August 31, 2009, the Company wrote-off its project cost of $21,371.

Title to oil and gas interests

Although the Company has taken steps to verify the title to oil and gas interests in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

6. EQUIPMENT

		November 30, 2009	
	Cost	Accumulated Amortization	Net
Computers	$ 8,353	$ 7,169	$ 1,184
Furniture and fixtures	5,277	4,268	1,009
	$ 13,630	$ 11,437	$ 2,193

		August 31,2009	
	Cost	Accumulated Amortization	Net
Computers	$ 8,353	$ 7,073	$ 1,280
Furniture and fixtures	5,277	4,215	1,062
	$ 13,630	$ 11,288	$ 2,342

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

(a) Authorized

Unlimited common shares without par value

(b) Issued

	Number of Common Shares		Amount
Balance, August 31, 2007	22,013,755	$	5,141,609
Issued for cash			
Exercise of options	675,000		91,250
Exercise of warrants	480,000		73,000
Private placement	3,200,000		480,000
Fair value of options exercised	-		85,007
Issued for mineral interests	250,000		40,000
Share issue costs	-		(2,650)
Balance, August 31, 2008	26,618,755		5,908,216
Issued for settlement of debt	542,213		81,332
Future income tax effect on flow-through share renunciation	-		(44,970)
Balance, August 31, 2009	27,160,968	$	5,944,578
Issued for mineral interests	150,000		10,500
Balance, November 30, 2009	27,310,968	$	5,955,078

(c) Private placement

In April 2008, the Company closed a private placement as follows: 1,000,000 flow-through units at a price of $0.15 per unit (each unit comprised one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of $0.25 for two years) and 2,200,000 non-flow-through units for a unit price of $0.15 per unit (each unit comprised one common share and one share purchase warrant to buy one common share at a price of $0.25 for two years) for gross proceeds of $480,000. Share issue costs of $2,650 were incurred as part of the private placement.

(d) Income tax effect on flow-through share renouncements

In February 2009, the Company renounced $149,900 of exploration expenditures under its flow-through share program, resulting in a $44,970 charge to capital stock as cost of share issuance and a future tax liability in the same amount.

(e) Common shares issued for settlement of debt

In June 2009, the Company entered into a debt settlement agreement whereby 542,213 common shares with a deemed value of $0.15 per share were issued to certain creditors to settle outstanding debt totaling $81,332.

7. CAPITAL STOCK (Continued)

(f) Warrants

The Company has warrants outstanding for the purchase of common shares as follows:

Expiry Date	Exercise Price	Outstanding August 31, 2009	Issued	Exercised	Expired	Outstanding November 30, 2009
April 28, 2010	$ 0.25	3,200,000	-	-	-	3,200,000
		3,200,000	-	-	-	3,200,000

(g) Stock options

The Company has implemented a rolling stock option plan whereby a maximum of 10% of the issued shares will be reserved for issuance under the plan. As at November 30, 2009, there are 2,461,000 stock options vested and outstanding as follows:

	2009		August 31, 2009	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options, beginning of period	2,661,000	$ 0.21	2,606,000	$ 0.21
Granted	-	$ 0.00	125,000	$ 0.15
Exercised	-	$ 0.00	-	$ 0.00
Forfeited	(200,000)	$ 0.20	(70,000)	$ 0.20
Options outstanding and exercisable, end of year	2,461,000	$ 0.21	2,661,000	$ 0.21

Expiry Date	Exercise Price	Outstanding August 31, 2009	Granted	Exercised	Forfeited	Outstanding November 30, 2009
September 29, 2009 (note 14(a))	$ 0.20	200,000	-	-	(200,000)	-
December 31, 2009	$ 0.20	50,000	-	-	-	50,000
September 1, 2010	$ 0.10	40,000	-	-	-	40,000
March 6, 2011	$ 0.13	100,000	-	-	-	100,000
March 9, 2011	$ 0.13	75,000	-	-	-	75,000
October 30, 2011	$ 0.17	100,000	-	-	-	100,000
January 24, 2012	$ 0.20	75,000	-	-	-	75,000
April 18, 2012	$ 0.25	773,000	-	-	-	773,000
October 15, 2012	$ 0.185	775,000	-	-	-	775,000
May 5, 2013	$ 0.235	348,000	-	-	-	348,000
April 3, 2014	$ 0.15	125,000	-	-	-	125,000
		2,661,000	-	-	(200,000)	2,461,000

7. CAPITAL STOCK (Continued)

(g) Stock options (Continued)

The weighted average fair value of options granted during the year ended August 31, 2009 is $0.08 per option. The options vested immediately upon the date of grant.

(h) Stock-based compensation

Stock-based compensation in the amount of $Nil (2008 - $Nil) has been recorded as an expense in the period ended November 30, 2009. The stock-based compensation for the 2009 fiscal year would be allocated in the statements of operations as follows:

	November 30, 2009	August 31, 2009
Consulting	$ -	$ 10,387
Administration	-	-
	$ -	$ 10,387

7. CAPITAL STOCK (Continued)

(h) Stock-based compensation (Continued)

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	November 30, 2009	August 31, 2009
Risk-free interest rate	N/A	1.61%
Expected dividend yield	N/A	0
Expected stock price volatility	N/A	131%
Expected option life in years	N/A	5

(i) Contributed surplus

	November 30, 2009	August 31, 2009
Balance, beginning of year	$ 592,888	$ 582,501
Stock-based compensation	-	10,387
Stock options exercised during the year	-	-
Balance, end of year	$ 592,888	$ 592,888

8. RELATED PARTY TRANSACTIONS

(a) The Company paid $18,000 (2008 - $18,000) in administration fees to the president of the Company. The Company paid $10,500 (2008 - $10,500) in consulting fees to a company controlled by a common officer.

(b) The Company paid $3,514 (2008 - $3,318) for office rent to a company controlled by common members of management.

(c) Directors and an officer were issued a total of 233,679 common shares for debt settlement in the amount of $35,052 (Note 7(e)).

(d) Accounts payable and accrued liabilities includes $70,925 (2008 - $13,650) due to directors. Amounts owing to directors have no specified terms of repayment or stated terms of interest.

(e) The president of the Company is a member, as to a 25% interest, in the optionor of the Naskeena Group Property (Note 4(a)).

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions of the Company during the period ended November 31, 2009 consisted of:

(a) the accrual of $20,875 of deferred exploration costs in accounts payable.

(b) the issuance of 150,000 common shares at a value of $10,500 pursuant to mineral property acquisitions.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying values of cash, amounts receivable, deposits, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company has classified its cash and deposits as held-for-trading; amounts receivable as loans and receivables; and accounts payable and accrued liabilities are other financial liabilities.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The credit risk associated with cash is minimized by ensuring that these financial assets are held by a major Canadian financial institution with a strong investment-grade rating by a primary ratings agency.

The Company's concentration of credit risk and maximum exposure thereto is as follows relating to financial assets:

	November 30, 2009	August 31, 2009
Cash	$ 14,104	$ 44,978

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company normally maintains sufficient cash to meet the Company's business requirements; however, at November 30, 2009, the cash balance of $14,104 is insufficient to meet the needs for the coming year. Therefore, the Company will be required to raise additional capital, issue shares to settle debt and/or sell one or more mineral property interest in order to fund its operations in 2010.

	Total	Under 3 Months	4 to 12 Months	1 to 5 Years
Accounts payable and accrued liabilities	$ 147,896	$ 147,896	$ -	$ -

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk, foreign currency risk and other price risk

Interest rate risk

The Company's cash consists of cash held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of August 31, 2009. Future cash flows from interest income on cash will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. The Company's sensitivity analysis suggests that a 1% change in interest rates would not have a material effect on interest income.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company has no financial instruments exposed to such risk.

12. CAPITAL MANAGEMENT

The Company includes the components of shareholders' equity and credit facilities as capital. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support the acquisition, exploration and development of its mineral interests. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company currently has no source of revenues; as such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

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

There were no changes in the Company's approach to capital management during the period ended November 30, 2009. The Company is not subject to externally imposed capital requirements.

13. SEGMENTED INFORMATION

The Company has two operating segments, being the exploration and development of mineral interests, and investment in oil and gas interests. The Company's assets held by geographic location are as follows:

	November 30, 2009		
	Canada	United States	Total
Cash	$ 14,104	$ -	$ 14,104
Mineral interests	128,941	5,362	134,303
Oil and gas interests	-	1	1
Equipment	2,193	-	2,193
Other	60,354	-	60,354
	$ 205,592	$ 5363	$ 210,955

	August 31, 2009		
	Canada	United States	Total
Cash	$ 44,978	$ -	$ 44,978
Mineral interests	118,441	-	118,441
Oil and gas interests	-	1	1
Equipment	2,342	-	2,342
Other	70,866	-	70,866
	$ 236,627	$ 1	$ 236,628

14. SUBSEQUENT EVENTS

Subsequent to November 30, 2009:

1. 50,000 stock options with an exercise price of $0.20 expired unexercised