

**JET GOLD CORP.**

**FINANCIAL STATEMENTS**

**FEBRUARY 28, 2010**

(Prepared by management without audit)

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

April 22, 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**  
(Prepared by management without audit)

	February 28, 2010	August 31, 2009
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 65,275	\$ 44,978
Mineral exploration tax credits receivable (Note 4)	31,966	31,966
Amounts receivable	<u>11,292</u>	<u>21,900</u>
	108,533	98,844
<b>Reclamation Bonds</b> (Note 3)	-	12,000
<b>Deposits</b>	5,000	5,000
<b>Mineral Interests</b> (Note 4)	147,248	118,441
<b>Oil and Gas Interests</b> (Note 5)	1	1
<b>Equipment</b> (Note 6)	<u>2,044</u>	<u>2,342</u>
	\$ 262,826	\$ 236,628

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ <u>136,302</u>	\$ <u>137,114</u>
<b>Shareholders' Equity</b>		
Capital stock (Note 7)	6,075,078	5,944,578
Contributed surplus (Note 7(i))	592,888	592,888
Deficit	<u>(6,541,442)</u>	<u>(6,437,952)</u>
	126,524	99,514
	\$ 262,826	\$ 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)

	6 – Month Ended Feb.28, 2010	6 – Month Ended Feb.28, 2009	3 – Month Ended Feb.28, 2010	3 – Month Ended Feb.28, 2009
EXPENSES	\$	\$	\$	\$
Legal, audit and accounting	12,000	12,000	6,000	6,000
Administration fees (Note 8)	36,000	36,000	18,000	18,000
Consulting fees (Note 8)	27,000	33,750	10,500	20,250
Transfer agent	1,446	1,493	565	1,038
Regulatory fees	6,354	3,610	5,699	2,910
Investor relations	10,096	2,000	10,096	-
Amortization	298	406	149	203
Office and miscellaneous	1,903	1,449	977	881
Printing and shareholder communications	1,351	1,515	1,021	470
Rent	7,053	6,727	3,539	3,409
Travel	-	158	-	53
Operating expenses	103,501	99,108	56,546	53,214
LOSS BEFORE THE FOLLOWING	(103,501)	(99,108)	(56,546)	(53,214)
OTHER (INCOME) EXPENSES				
Mineral property abandon	-	(27,564)	-	(27,564)
Interest income	11	1,782	11	1,766
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(103,490)	(124,890)	(56,535)	(79,012)
DEFICIT, BEGINNING OF PERIOD	(6,437,952)	(5,207,086)	(6,484,907)	(5,252,964)
DEFICIT, END OF PERIOD	\$ (6,541,442)	\$ (5,331,976)	\$ (6,541,442)	\$ (5,331,976)
EARNINGS (LOSS) PER SHARE	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	27,499,090	26,618,755	27,764,301	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)

	6 – Month Ended	6 – Month Ended	3 – Month Ended	3 – Month Ended
	Feb28, 2010	Feb28, 2009	Feb28, 2010	Feb28, 2009
<b>CASH PROVIDED BY (USED FOR)</b>	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net income (loss) for the period	(103,490)	(124,890)	(56,535)	(79,012)
Less items not involving cash				
Mineral property abandoned	-	27,564	-	27,564
Amortization	298	406	149	203
	(103,192)	(96,920)	(56,386)	(51,245)
Net change in non-cash working capital items				
Amounts receivable and advances	10,608	9,739	96	7,324
Mineral property tax credits	-	35,415	-	35,415
Accounts payable and accrued liabilities	(812)	74,228	(11,594)	44,290
	(93,396)	22,462	(67,884)	35,784
<b>FINANCING ACTIVITIES</b>				
Shares issued for cash, net of issue costs	120,000	-	120,000	-
	120,000	-	120,000	-
<b>INVESTING ACTIVITIES</b>				
Recovery from oil and gas interest	-	4,110	-	1,539
Reclamation bonds	12,000	2,500	12,000	2,500
Deposits	-	18,061	-	3,669
Mineral property expenditures	(18,307)	(98,912)	(12,945)	(23,186)
	(6,307)	(74,241)	(945)	(15,478)
<b>INCREASE (DECREASE) IN CASH</b>	<b>20,297</b>	<b>(51,779)</b>	<b>51,171</b>	<b>20,306</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>44,978</b>	<b>82,551</b>	<b>14,104</b>	<b>10,466</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 65,275</b>	<b>\$ 30,772</b>	<b>\$ 65,275</b>	<b>\$ 30,772</b>

**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 \$103,490 for the quarter ended February 28, 2010 (2009 - \$124,890). As at February 28, 2010, the Company had an accumulated deficit \$6,541,442 (2009 - \$6,437,952) and a working capital deficiency of \$27,769 (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 ARO's 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.

**JET GOLD CORP.**  
NOTES TO FINANCIAL STATEMENTS  
QUARTER ENDED FEBRUARY 28, 2010

**3. RECLAMATION BONDS**

The Company holds the following reclamation bonds:

	February 28, 2010	August 31, 2009
Ministry of Energy, Mines and Petroleum Resources matures in August 2010 at an interest rate of 2.00%	\$ -	\$ 8,000
Ministry of Energy, Mines and Petroleum Resources matures in April 2010 at an interest rate of prime less 2.65%	-	4,000
	\$ -	\$ 12,000

**4. MINERAL INTERESTS**

Expenditures incurred on the Company's mineral interests during the period ended February 28, 2010 are as follows:

	Naskeena	Kshish	Virginia Gold	Big Hammer	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	10,000	25,862
Exploration costs					
Geological	-	-	-	2,945	2,945
Balance, February 28, 2010	\$ -	128,941	5,362	12,945	147,248

**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)**

**(d) Big Hammer, British Colombia**

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

- (i) Cash payments aggregating \$250,000 payable as follows:
  - (a) \$10,000 (paid) on execution of the agreement;
  - (b) \$10,000 within 60 days from TSX Venture Exchange ("TSX") approval. The approval date was February 25, 2010;
  - (c) \$10,000 within 180 days from TSX approval or by December 15, 2010;
  - (d) \$50,000 one year from TSX approval;
  - (e) \$50,000 two years from TSX approval or after the expenditure of \$150,000 on the property and a recommendation to continue exploration, whichever comes later;
  - (f) \$50,000 three years from TSX approval or after the expenditure of \$500,000 on the property and a recommendation to continue exploration, whichever comes later;
  - (g) \$70,000 four years from TSX approval or after the expenditure of \$1,000,000 on the property and a recommendation to continue exploration, whichever comes later.
  
- (ii) To incur \$1,000,000 in exploration expenditures on the property as follows:
  - (a) \$50,000 on or before February 25, 2011;
  - (b) \$200,000 on or before February 25, 2012;
  - (c) \$250,000 on or before February 25, 2013;
  - (d) \$500,000 on or before February 25, 2014.
  
- (iii) To issue 1,000,000 common shares of the Company to the optionors as follows:
  - (a) 200,000 common shares within 30 days of TSX approval;(Issued Note 14)
  - (b) 200,000 common shares one year from TSX approval ;
  - (c) 200,000 common shares two years from date of TSX approval or after the expenditure of \$150,000 on the property and a recommendation to continue exploration, whichever comes later;
  - (d) 200,000 common shares three years from date of TSX approval or after the expenditure of \$500,000 on the property and a recommendation to continue exploration, whichever comes later;
  - (e) 200,000 common shares three years from date of TSX approval or after the expenditure of \$1,000,000 on the property and a recommendation to continue exploration, whichever comes later;

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

Once the Company has been deemed to have exercised the Option Agreement and the property placed into commercial production the Company shall pay the vendor of the property \$1,000,000 and issue 2,000,000 common shares 30 days after commencement of commercial production.

### **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.

**JET GOLD CORP.**  
NOTES TO FINANCIAL STATEMENTS  
QUARTER ENDED FEBRUARY 28, 2010

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**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**

	<b>February 28, 2010</b>		
	Cost	Accumulated Amortization	Net
Computers	\$ 8,353	\$ 7,265	\$ 1,088
Furniture and fixtures	<u>5,277</u>	<u>4,321</u>	<u>956</u>
	<u>\$ 13,630</u>	<u>\$ 11,586</u>	<u>\$ 2,044</u>
	<b>August 31,2009</b>		
	Cost	Accumulated Amortization	Net
Computers	\$ 8,353	\$ 7,073	\$ 1,280
Furniture and fixtures	<u>5,277</u>	<u>4,215</u>	<u>1,062</u>
	<u>\$ 13,630</u>	<u>\$ 11,288</u>	<u>\$ 2,342</u>

**JET GOLD CORP.**  
NOTES TO FINANCIAL STATEMENTS  
QUARTER ENDED FEBRUARY 28, 2010

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**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)
<b>Balance, August 31, 2008</b>	<b>26,618,755</b>	<b>5,908,216</b>
Issued for settlement of debt	542,213	81,332
Future income tax effect on flow-through share renunciation	-	(44,970)
<b>Balance, August 31, 2009</b>	<b>27,160,968</b>	<b>\$ 5,944,578</b>
Issued for cash		
Private placement	2,400,000	120,000
Issued for mineral interests	150,000	10,500
<b>Balance, February 28, 2010</b>	<b>29,710,968</b>	<b>\$ 6,075,078</b>

**(c) Private placement**

In February 2010, the Company closed a private placement of 2,400,000 units at a price of \$0.05 per unit for gross proceeds of \$120,000. Each unit consist of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.10 for a period of one year.

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.

**JET GOLD CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**QUARTER ENDED FEBRUARY 28, 2010**

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**7. CAPITAL STOCK (Continued)**

**(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.

**(f) Warrants**

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

Expiry Date	Exercise Price	Outstanding			Expired	Outstanding February 28, 2010
		August 31, 2009	Issued	Exercised		
April 28, 2010	\$ 0.25	3,200,000	-	-	-	3,200,000
February 2, 2011	\$0.10	-	2,400,000	-	-	2,400,000
		3,200,000	2,400,000	-	-	5,600,000

**(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 February 28, 2010, there are 2,411,000 stock options vested and outstanding as follows:

	February 28, 2010		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	(250,000)	\$ 0.20	(70,000)	\$ 0.20
Options outstanding and exercisable	2,411,000	\$ 0.21	2,661,000	\$ 0.21

**JET GOLD CORP.**  
**NOTES TO FINANCIAL STATEMENTS**  
**QUARTER ENDED FEBRUARY 28, 2010**

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**7. CAPITAL STOCK (Continued)**  
**(g) Stock options (Continued)**

Expiry Date	Exercise Price	Outstanding August 31, 2009	Granted	Exercised	Forfeited	Outstanding February 28, 2010
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	-	-	(250,000)	2,411,000

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 February 28, 2010. The stock-based compensation for the 2009 fiscal year would be allocated in the statements of operations as follows:

	February 28, 2010	August 31, 2009
Consulting	\$ -	\$ 10,387
Administration	-	-
	\$ -	\$ 10,387

**JET GOLD CORP.**  
NOTES TO FINANCIAL STATEMENTS  
QUARTER ENDED FEBRUARY 28, 2010

**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:

	<b>February 28, 2010</b>	<b>August 31, 2009</b>
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**

	<b>February 28, 2010</b>	<b>August 31, 2009</b>
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 \$36,000 (2009 - \$36,000) in administration fees to the president of the Company. The Company paid \$15,000 (2009 - \$21,000) in consulting fees to a company controlled by a common officer.
- (b)** The Company paid \$7,053 (2009 - \$6,727) 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 (2009 - \$41,500) 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 February 28, 2010 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:

	<b>February 28, 2010</b>	<b>August 31, 2009</b>
Cash	\$ 65,275	\$ 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 February 28, 2010, the cash balance of \$65,275 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.

**JET GOLD CORP.**  
NOTES TO FINANCIAL STATEMENTS  
QUARTER ENDED FEBRUARY 28, 2010

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	Total	Under 3 Months	4 to 12 Months	1 to 5 Years
Accounts payable and accrued liabilities	\$ 136,302	\$ 136,302	\$ -	\$ -

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*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 February 28, 2010. The Company is not subject to externally imposed capital requirements.

**JET GOLD CORP.**  
NOTES TO FINANCIAL STATEMENTS  
QUARTER ENDED FEBRUARY 28, 2010

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**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:

				<b>February 28, 2010</b>		
				Canada	United States	Total
Cash	\$	65,275	\$	-	\$	65,275
Mineral interests		141,886		5,362		147,248
Oil and gas interests		-		1		1
Equipment		2,044		-		2,044
Other		48,258		-		48,258
	\$	257,463	\$	5363	\$	262,826

  

				<b>August 31, 2009</b>		
				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

**JET GOLD CORP.**  
NOTES TO FINANCIAL STATEMENTS  
QUARTER ENDED FEBRUARY 28, 2010

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**14. SUBSEQUENT EVENTS**

The Company issued 200,000 common shares at \$.065 per share pursuant to a property agreement (Note 4(d) ((iii))).

**JET GOLD CORP.**  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED FEBRUARY 28, 2010

REPORT DATE  
APRIL 22, 2010

This Management Discussion and Analysis (the “MDA”) provides relevant information on the operations and financial condition of Jet Gold Corp. (the “Company”) for the period ended February 28, 2010. This MD&A has been prepared as of April 22, 2010.

The Company’s activities are primarily directed towards exploration and development of mineral interests. The realization of amounts shown for mineral interests and oil and gas interests are dependent upon the discovery of economical recoverable reserves and future profitable production, or proceeds from the disposition of these properties. The carrying values of mineral interests and oil and gas interests do not necessarily reflect their present or future values.

The MD&A should be read in conjunction with the Company’s audited financial statements and notes thereto for the year ended August 31, 2009 herein that are prepared in accordance with Canadian generally accepted principles, all of which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

All monetary amounts in this MD&A and in the financial statements are expressed in Canadian dollars, unless otherwise stated. All of the financial information referenced below has been prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis.

The Company is a reporting issuer in each of the Provinces of British Columbia and Alberta. Its head and principal office is located at 507 – 475 Howe Street Vancouver, British Columbia, V6C 2B3. It’s registered and records office is located at 1710 – 1177 Hastings Street, Vancouver, British Columbia, V6E 2L3.

#### OVERALL PERFORMANCE

In order to better understand the Company’s financial results, it is important to gain an appreciation for the significant events, transactions and activities on mineral properties which have occurred to the date of this MD&A.

The Kshish molybdenum property under option to Jet Gold Corp. is just northeast of the town of Terrace, BC. It is on the southern slopes of Mount Vanarsdoll and can be easily accessed from downtown Terrace.

It is accessed from recently built logging roads that reach to the southern and western edge of the property. Prior to the construction of the logging road system, it was difficult to access and remained largely under explored. Exploration work in 2008 has confirmed the presence of the molybdenum mineralization in and around the original showings identified in the 1960’s. Further field and research completed in 2008 has extended the area of the molybdenum mineralization to encompass a area of “porphyry” type alteration in an ellipse estimated at 4 kilometers long, in a NW direction, with a width of approximately 2 kilometers. This zone of porphyry alteration, within the host intrusive, has a frequency of fractures which increases from meter or sub meter in the fresh intrusive to decimeter or centimeter spacing in the altered intrusive. The fractures are the locus of molybdenum bearing quartz veinlets. The target is for an open pit mine within the ellipse of alteration.

It is anticipated that the molybdenum mineralization will extend well beyond the 4 by 2 Km ellipse of alteration. There are reported showings of molybdenum bearing veins well beyond the ellipse boundary as well as soil and stream geochemical molybdenum anomalies.

A technical report for further exploration and budget for it has been completed by Alex Burton, P. Eng., P. Geo., and Consulting Geologist. In the report a comprehensive surface trail building program is recommended so crews can access this large property. Further exploration is recommended and includes geochemical and geophysical surveys, geologic mapping and diamond drilling of targets defined by field work.

### **Virginia Gold Property – Arizona USA**

The Company has entered into an option agreement to acquire the Virginia gold property located in the Sheep Tank Mining District in La Paz County, Arizona a well known gold producing area.

The property is located about two miles northwest of the former producing Verdstone gold mine which was mining grades of 0.5oz/T gold and 5oz/T silver when it was in production.

The Virginia gold property is an epithermal type of deposit typical of the Verdstone and former producing Sheep Tank mines in the District. The Virginia has a well developed epithermal alteration system around it. The previous owner reported gold and silver values in the vein at surface. These reports are anecdotal and therefore not to be relied upon.

The property has excellent infrastructure in place, located about 100 miles west of Phoenix and 14 miles south of Highway I-10, and serviced by all-weather roads from the nearby towns of Quartzite and Salome, AZ.

A work program of GIS mapping, photo interpretation, trenching, sampling and geological reconnaissance along with an IP survey to develop drill targets, is planned for the second quarter of 2010.

### **Big Hammer Property – British Columbia**

The Company acquired an option to the Big Hammer property near Terrace, British Columbia, Canada. The Big Hammer property hosts new rare metals, Gold-Silver-Tellurium (Au-Ag-Te), discovery made by the British Columbia Geologic Survey in 2007.

The property consists of six tenures with a total area of 1,617 hectares (3,996 acres) and is located 13 kilometers southeast of Terrace B.C. on the lower elevations of Thornhill Mountain. It is situated on the western flank of the Intermontane Belt and bounded on the west by the Coast Crystalline Belt. The Big Hammer's Au-Ag-Te mineralization was first discovered on new logging road cuts in 2007 within a thick series of sheeted, low-angle quartz-pyrite veins. Host rocks are Tertiary granitics and possibly altered basement. The multiple Big Hammer Au-Ag-Te showings are also anomalous in lead (Pb), copper (Cu), zinc (Zn), cobalt (Co) and tungsten (W).

Intrusive associations and extensional structures combined with good assays and trace geochemical returns make the Big Hammer a target for gold and the byproduct tellurium. The significant extent, greater than 1,000m horizontal and 300m vertical, of the known Big Hammer mineralization suggests additional veins may be found with mapping, surface trenching and diamond drilling. Demand for tellurium has been increasing because of use in solar panels as well as in computer memory chips. As a result the price of tellurium has risen from \$10 to over \$250 per kilogram in recent years.

A work program of trenching, sampling and geological reconnaissance along with an IP survey to develop drill targets is planned for the second quarter of 2010.

### **Naskeena Coal Property –British Columbia**

In 2006, The Company acquired a large-scale exploration coal property in Northern British Columbia which is 27 miles from the Terrace, B.C., railhead and about 100 miles from the Prince Rupert coal terminal. The 45-square-kilometre (17-square-mile) parcel of claims is known as the Naskeena property.

In September of 2007 independent geological consultant Brian Simmons, P. Geo. completed a 43-101 report on the coal project. His report recommended further drilling, and confirmed the original report in 1914 by G. F. Monckton on the coal deposits he discovered that they actually were where they had been purported to be. Previously the name switch between two creeks had caused the true location to be lost. His report recommended further exploration of the coal beds.

Limited diamond drilling was done in 2007 and 2008 due to the shortage of drills and trained drill operators. Drilling focused on Lease 41712 just north of the historic coal showing discovered in 1914 where there was shallow to no overburden.

In this drilling the second of 9 holes intersected a 2.43 meter (8 ft) thick coal bed which prompted a step out pattern of drill holes around the intersection. From the 7 holes surrounding this intersection it was discovered that there was no connectivity between coal beds within this area of the tenure as the coal was discontinuous and lense like. While the intersections had a viable thickness, their drill core analyses returned unsatisfactory results as to quality.

The area drilled to date covers about 160 hectares of this 5900+ ha property and is a small portion of the whole basin under the four leases. The drilling was confined to date on the northern portion of the tenures and the greater portion of the basin is still untested.

The southern (417514) and the western (417513) tenures are where more continuous coal beds are expected to be found, however they have a surface cover of loose gravel over a significant portion of them. That would have made diamond drilling difficult and expensive under the staffing levels for diamond drill crews in 2008.

During the 2008 field season, the Company drilled nine (9) HQ holes for a total of 1,310 meters. This work followed on the 2007 drilling of sixteen (16) NQ holes for 1,215 meters. The drilling encountered several coal beds of variable thickness. For example, DDH#2 intersected a 2.43 meter coal bed which was followed up with a "step out" pattern of seven (7) holes to try to establish connectivity and continuation thickness. These additional holes could not determine this as the coal beds appeared to be discontinuous and lens like. While the intersection had viable coal thickness, the surrounding holes returned poor coal results. The specific gravity tests undertaken by the Company did not demonstrate that the recovery of coal collected in the drill core could be upgraded adequately to make it economic.

In early 2009, the Company decided to review the data and consider viability of the as yet undrilled southern portion of the tenure. Burton Consulting Inc. ("Consultants") was instructed to assess the ground to locate, if possible, areas that might contain economic coal deposits.

The consultant's report concluded that, although there may be a large coal deposit in the untested areas, the costs of further drilling and development would likely exceed the economic value of the resource. The southern portion of the tenures is covered with deep gravel and the cost of drilling through to establish a

resource is cost prohibitive. In addition, any coal beds would likely be too deep for open pit mining and require a more costly shaft and underground mining for production.

As a result, the consultants have recommended that the Company give up the tenures as uneconomic. Upon Mr. Burton's recommendation, the Company has decided to relinquish the coal tenures.

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

The mineral property content of the MD&A has been reviewed and approved by Alex Burton, P.Eng., P.Geo., a qualified person as defined in National Instrument 43-101.

### **Stewart Property – Texas**

The Company has elected to participate in a 2 ½% working interest in a drilling program for natural gas in a prospect known as the Stewart lease located in Goliad County, Texas. The project is comprised of 544 acres of leases in an area of current production of natural gas.

The Stewart No. 1 has been plugged and was abandoned due to poor flow rates and accordingly, \$26,042 in exploration costs has been written-off as of August 31, 2006. As of August 31, 2008 the carrying value was \$10,316 which consists of \$5,410 in acquisition costs and \$4,906 in exploration costs.

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

### **Funk Property – Texas**

The Company has acquired a 5% working interest in a drilling program for natural gas in a prospect known as the Funk lease located in Goliad County, Texas. The project is comprised of two tracts of land comprising 240 acres and 160 acres in an area of current production of natural gas.

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

### **Harris #2 Property – Texas**

The Company acquired a 2% interest in two drilling projects. The joint venture was formed to secure, re-enter, re-establish, re-open, manage, cultivate, drill and operate the Harris-N- Well Number 2 on leased real property located in the Harris NE oil and gas fields in Live Oak County, Texas.

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

### **Wanner 27-1 Property – North Dakota**

The Company acquired a 1 ½% back in working interest in a drilling program for oil in a prospect known as the Wanner 27-1 well located in Stark County, North Dakota.

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

## SELECTED ANNUAL INFORMATION

The following selected financial data have been prepared in accordance with Canadian generally accepted accounting principals and should be read in conjunction with the Company's audited financial statements. The following table sets forth selected financial data for the Company for and as of the end of the last three completed financial years to the year ended August 31.

<b>Financial Year Ended</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Total revenue	Nil	Nil	Nil
Net loss	(1,230,866)	(428,752)	(1,008,122)
Net loss per share – basic and diluted	(\$0.05)	(\$0.02)	(\$0.05)
Total assets	236,628	1,334,351	890,928
Total long term financial liabilities	Nil	Nil	Nil
Cash dividends declared – per share	Nil	Nil	Nil

### Overview

For the year ended August 31, 2007 the Company had property expenditures of \$472,763 on the Naskeena coal property and abandon the Set Ga Done and the Atlin property and accordingly wrote off exploration expenditures in the amounts of \$503,907 and \$94,018 respectively. For greater detail please see the Company's Audited Financial Statements as at August 2007 and 2006.

For the year ended August 31, 2008 the Company had property expenditures of \$277,200 on the Naskeena coal property and \$114,175 on the Kshish property. The Company also abandons the remaining carrying value of the Atlin property and accordingly wrote off \$15,087. For greater detail please see the Company's Audited Financial Statements as at August 2008 and 2007.

For the year ended August 31, 2009 the Company had property exploration expenditures of \$86,980 on the Naskeena coal property and \$19,568 on the Kshish property. The Company also abandoned the Naskeena coal property and accordingly wrote off \$858,238 in acquisition and exploration expenditures. The Company also wrote off its oil and gas project cost of \$189,389 to a nominal value of \$1. For greater detail please see the Company's Audited Financial Statements as at August 2009 and 2008.

### Results of Operation for the period ended February 28, 2010 and the year ended August 31, 2009

This review of operations should be read in conjunction with the Audited Financial Statements of the Company for the years ended August 31, 2009 and 2008.

### **Quarter ended February 28, 2010**

#### Overview

For the period ending February 28, 2010 the Company incurred a loss of \$103,490 (\$0.00 per share) compared to a loss of \$124,890 (\$0.00 per share) for the period ended February 28, 2009. The Company expects to continue losses for Fiscal 2010 as it develops its mineral properties.

## Expenses

General and administration expenses totaled \$103,501 for the period ended February 28, 2010 compared to \$99,108 for the period ended February 28, 2009. Details of the largest general and administration are as follows:

Administration fees of \$36,000 (2008 - \$36,000) to an officer and director of the Company as a result of the activities of the Company

Consulting fees of \$27,000 (2009 - \$33,750) consisting of \$15,000 (2009 - \$21,000) to a company controlled by an officer of the Company for administrative services and \$12,000 (2009 - \$12,750) for other.

Legal, Audit and Accounting of \$12,000 (2009 - \$12,000) consists of audit and accounting fees.

The Company expects to spend the same amount in the next quarter.

All other expenses are in the normal course of doing business.

## **2009 Financial Results**

### Overview

For the year ending August 31, 2009 the Company incurred a loss of \$1,230,866 (\$0.05 per share) compared to a loss of \$428,752 (\$0.02 per share) for the year ended August 31, 2008. The Company expects to continue losses for Fiscal 2010 as it develops its mineral properties.

### Expenses

General and administration expenses totaled \$230,913 for the year ended August 31, 2009 compared to \$414,000 for the year ended August 31, 2008. Details of the largest general and administration are as follows:

Stock based compensation of \$10,387 (2008 - \$191,717) as a result of the Company issuing stock options under the option plan during the year.

Administration fees of \$72,000 (2008 - \$63,000) to an officer and director of the Company as a result of the activities of the Company

Consulting fees of \$66,750 (2008 - \$37,500) consisting of \$42,000 (2008 - \$24,000) to a company controlled by an officer of the Company for administrative services and \$24,750 (2008 - \$13,500) for various services.

Legal, audit and accounting of \$38,845 (2008 - \$36,033) consisting of \$9,059 (2008 - \$6,233) for corporate legal services and \$29,786 (2008 - \$29,800) for auditing and accounting.

Insurance of \$Nil (2008 - \$13,175) consists of Officers and Directors Liability insurance. The Company expects to spend the same amount in the next year.

All other expenses are in the normal course of doing business.

### Other

The Company abandons the Naskeena coal property and accordingly wrote of its acquisition and exploration expenditures of \$858,238. The Company also wrote off its oil and gas project cost of \$189,389 to a nominal value of \$1.

### SUMMARY OF QUARTERLY RESULTS

The following selected financial data have been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company's audited financial statements. The following is a summary of selected financial data for the Company for its eight completed financial quarters ending August 31, 2009. Each quarter of each financial year is shown on a quarterly basis.

Quarter Ended Amounts in 000's	Feb 28, 2010	Nov 30, 2009	Aug 31, 2009	May 31, 2009	Feb 28, 2009	Nov 30, 2008	Aug. 31, 2008	May 31, 2008
Revenue	-	-	-	-	-	-	-	-
Loss before extraordinary items	(56.6)	(46.9)	(1,023.0)	(83.0)	(79.0)	(45.9)	(75.4)	(148.9)
Loss per share – basic and diluted	(0.00)	(0.00)	(0.04)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)
Net loss	(56.6)	(46.9)	(1,023.0)	(83.0)	(79.0)	(45.9)	(75.4)	(148.9)
Net loss per share – basic and diluted	(0.00)	(0.00)	(0.04)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)

During the quarter ending May 31, 2008 the general and administrative expenditures were consistent with prior quarters with the exception of stock based compensation of \$75,657, as a result of options issued during the period. The Company also started a drill program on its Naskeena property and had expenditures of \$9,296 and mineral property advanced payments of \$160,000. The Company has applied to the B.C. Department of Energy, Mines and Petroleum Resources for an additional coal licence adjoining its present coal tenures. These coal licences is located adjacent to and on the southern boundary of the company's present coal licences which cover the Naskeena property. The application, which must be reviewed and offered by the government, is for 1,500 hectares or approximately 3,750 acres. It adds about 33 per cent to the company's Naskeena property, bringing the total area under licence or application to approximately 6,000 hectares (14,800 acres).

During the quarter ended August 31, 2008 the general and administrative expenditures were consistent with previous quarters. The Company continued with its drill program on the Naskeena coal property.

During the quarter ended November 30, 2008 the general and administrative expenditures were consistent with previous quarters. The Company spent \$75,726 on its exploration properties.

During the quarter ended February 28, 2009 the general and administrative expenditures were consistent with previous quarters. The Company spent \$98,912 on its exploration properties.

During the quarter ended May 31, 2009 the general and administrative expenditures were consistent with previous quarters.

During the quarter ended August 31, 2009 the general and administrative expenditures were consistent with previous quarters. The Company abandoned the Naskeena coal property and accordingly wrote off \$858,238 in acquisition and exploration expenditures. The Company also wrote off its oil and gas project cost of \$189,389 to a nominal value of \$1.

During the quarter ended November 30, 2009 the general and administrative expenditures were consistent with previous quarters. The Company acquired the Virginia Gold property in Arizona.

During the quarter ended February 28, 2010 the general and administrative expenditures were consistent with previous quarters. The Company acquired the Big Hammer property in British Columbia.

As the Company has not owned nor owns any revenue producing resource properties, no mining revenue has been recorded to date.

### LIQUIDITY AND CAPITAL RESOURCES

As of February 28, 2010 the Company has working capital deficit of \$27,769 (2009 - \$38,270). The Company has limited financial resources and has financed its operations primarily through the sale of its common shares. For the foreseeable future, the Company will need to rely on the sale of such securities for sufficient working capital and to finance its mineral property acquisition and exploration activities, and /or enter into joint venture agreements with third parties. As the Company does not generate any revenue from operations, the long-term profitability of the Company will be directly related to the success of its mineral property acquisition and exploration activities.

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 warrant to buy one common share at \$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 a two-year share purchase warrant to buy one common share at \$0.25 each; for gross proceeds of \$480,000.

In June 2009 the Company closed a share for debt transaction by settling debt in the amount of \$81,332 by issuing 542,213 common shares.

In February 2010, the Company closed a private placement of 2,400,000 units at a price of \$0.05 per unit for gross proceeds of \$120,000. Each unit consist of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.10 for a period of one year.

As a result of the global economic downturn, there is uncertainty in capital markets and the Company anticipates that it and others in the mineral resource sector will have limited access to capital. Although the business and assets of the Company have not changed, investors have increased their risk premium and their overall equity investment has diminished. The Company continually monitors its financing alternatives and expects to finance its Fiscal 2010 operating overhead through a private placement and its exploration expenditures through a flow-through private placement.

The Company has no long-term debt obligations.

## SHARE CAPITAL

As of the date of this MD&A, the Company has issued and outstanding common shares as follows. The authorized share capital is unlimited common shares without par value.

	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 issuance costs	-	(2,650)
Balance, August 31, 2008	26,618,755	\$ 5,908,216
Issued for cash		
Exercise of options	-	-
Exercise of warrants	-	-
Private placement	-	-
Future income tax on flow-through share renunciation	-	(44,970)
Share for debt	542,213	81,332
Balance, August 31, 2009	27,160,968	\$ 5,944,578
Issued for cash		
Private placement	2,400,000	120,000
Issued for mineral interests	350,000	23,500
Balance, April 22, 2010	29,910,968	\$ 6,088,078

As of the date of this MD&A the Company had the following incentive stock options outstanding:

Expiry Date	Exercise Price	Outstanding August 31, 2009	Granted	Exercised	Forfeited	Outstanding April 22, 2010
September 29, 2009	\$ 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	-	-	375,000	400,000
May 5, 2013	\$ 0.235	348,000	-	-	225,000	123,000
April 3, 2009	\$0.15	125,000	-	-	125,000	-
April 7, 2015	\$.10	-	1,229,000	-	-	1,229,000
		2,661,000	1,229,000	-	975,000	2,915,000

As of the date of this MD&A the Company had the following share purchase warrants, enabling the holder to acquire further common shares as follows:

Expiry Date	Exercise Price	Outstanding August 31, 2009	Issued	Exercised	Expired	Outstanding April 22, 2010
April 28, 2010	\$ 0.25	3,200,000	-	-	-	3,200,000
February 2, 2011	\$0.10	-	2,400,000	-	-	2,400,000
		3,200,000	2,400,000	-	-	5,600,000

#### RELATED PARTY TRANSACTIONS

During the period ended February 28, 2010 and 2009 the Company entered into the following transactions with related parties.

Expenditure	February 28, 2010	February 28, 2009
Office and administrative services	\$51,000	\$57,000
Office lease	7,053	6,727

Office and administrative services contracts entered into between Robert Card, President and Blaine Bailey, CFO was entered into in the normal course of business. Office rent was paid to a company controlled by the President of the Company.

The Company paid \$36,000 (2009 - \$36,000) to a company controlled by the president of the Company pursuant to a consulting agreement dated May 15, 2003 for the provision of office and administration services. The Company paid \$15,000 (2009 - \$21,000) to a company controlled by an officer of the Company for consulting.

The Company paid \$7,053 (2009 - \$6,727) for office rent to a company controlled by common members of management.

Accounts payable and accrued liabilities included \$95,600 (2008 - \$41,500) due to directors. Amounts owing to directors have no specific terms of repayment or no stated terms of interest.

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

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

#### PROPOSED TRANSACTIONS

The Company has no proposed transactions.

#### INVESTOR RELATIONS

The Company has entered into an Investor Relations agreement with Brian Stanford to provide investor relations services to the company. The term of the contract is for 12 months at a monthly fee of \$3,000.

#### APPROVAL

The Board of Directors of Jet Gold Corp. has approved the disclosures in this MD&A.

#### FORWARD LOOKING STATEMENTS

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Company's intentions, plans, expectations and belief, and are subject to risk, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.

#### RISKS AND UNCERTAINTIES

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, but not limited to, environmental, metal prices, political and economical.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations.

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 titles may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant sources of operating cash flow and no revenue from operations. Additional capital will be required to fund the Company's exploration program. The sources of funds available to the Company are the sale of equity capital or the offering of an interest in its project to another party. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be advantageous to the Company.

The property interests owned by the Company or in which it has an option to earn an interest are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Exploration of the Company's mineral interests may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

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 materials 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 in which it previously had no 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 liabilities to the Company.

#### CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs consistent with Canadian GAAP and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on quarterly impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to

operations. A write-down may be warranted in situations where a property is to be sold or abandoned; the exploration activity ceases on a property due to unsatisfactory results or insufficient available funding; or when it is determined that the carrying value exceeds the fair market value of the property.

Significant estimates are made in respect of the Company's asset retirement and environmental obligations. The Company's proposed mining and exploration activities are subject to various laws and regulations for federal, regional and provincial jurisdictions governing the protection of the environment. These laws are continually changing. The Company believes its operations are in compliance with all applicable laws and regulations. The Company expects to make, in the future, expenditures to comply with such laws and regulations but cannot predict the full amount or timing of such future expenditures.

Moreover, significant estimates are made in respect of accounting for stock-based compensation, which is calculated using the Black-Scholes option pricing model. 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, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

Other significant areas requiring the use of management estimates include the balances of accrued liabilities, rates for amortization for equipment and the valuation allowance for future income tax assets. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable, deposits and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Effective September 1, 2008, the Company adopted, prospectively, the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under the following Handbook guidelines.

(i) Capital Disclosures

The CICA issued Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital.

(ii) Financial Instruments – Disclosures and Presentation

Sections 3862 and 3863 replace Section 3861, "Financial Instruments – Disclosure and Presentation", revising its disclosure requirements and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

(iii) Going Concern

The CICA Section 1400, "General Standards of Financial Statement Presentation", was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. When financial statements are not prepared on a going concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern..

Future accounting policies applicable to the Company are as follows:

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

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim financial statements for the three months ended November 30, 2011, which must include restated interim results for the prior period ended November 30, 2010 prepared on the same basis. The conversion to IFRS will impact the Company's accounting policies, information technology and data system, internal control over financial reporting, and disclosure controls and procedures. The Company is currently evaluating the future impact of IFRS on its financial statements.

(ii) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

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 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.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim financial statements for the three months ended November 30, 2011, which must include restated interim results for the prior period ended November 30, 2010 prepared on the same basis.

The conversion to IFRS will likely impact the Company’s statement of financial position and results of operations. To transition to IFRS, changes may be required to the Company’s information technology and data systems, internal control over financial reporting, disclosure controls and procedures, financial reporting expertise and training requirements, and matters that may be influenced by GAAP measures such as capital requirements.

The detailed analysis of the IFRS – Canadian GAAP differences, and the selection of accounting policy choices under IFRS has commenced and the Company will continuously monitor changes in IFRS leading up to the changeover date, and will update its conversion plan as required.

## DISCLOSURE CONTROLS AND PROCEDURES

The Company’s management is responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information related to the Company is made known to senior management, including the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) and, by others within those entities on a timely basis so that appropriate decisions can be made regarding public disclosure.

The CEO and CFO have evaluated the design and operation of the Company’s disclosure controls and procedures and have concluded that they are effective as of February 28, 2010.

## MANAGEMENT’S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of August 31, 2009. Based on management’s assessment and those criteria, management has concluded that the internal control over financial reporting as at February 28, 2010 was effective.

Additional information on the Company available through the following source: [www.sedar.com](http://www.sedar.com).