CASTLE RESOURCES INC.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED MARCH 31, 2009

Unaudited

Responsibility for Financial Statements

The accompanying unaudited interim consolidated financial statements for Castle Resources Inc. have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles for interim financial statements consistently applied. The most significant of these accounting principles have been set out in the September 30, 2008 audited consolidated financial statements. Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements; management is satisfied that these unaudited interim consolidated financial statements have been fairly presented.

Auditor Involvement

The independent auditors of Castle Resources Inc. have not performed a review of these unaudited interim consolidated financial statements.

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CASTLE RESOURCES INC.
UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET
As at

	March 31, 2009	September 30, 2008 Audited
ASSETS		
Current		
Cash and cash equivalents	$ 963,938	$ 1,402,460
Amounts receivable (Note 3)	140,417	130,088
Prepaid expenses	9,453	13,539
Future income taxes	375,000	375,000
	1,488,808	1,921,087
Long-term		
Equipment (Note 4)	7,437	8,434
Interest in mineral properties (Note 5)	4,198,145	4,094,337
	$ 5,694,390	$ 6,023,858
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 83,166	$ 103,119
Long-term		
Future income taxes	81,000	81,000
	164,166	184,119
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	6,828,196	6,828,196
Contributed surplus	393,647	393,647
Warrants (Note 7)	361,353	361,353
Deficit	(2,052,972)	(1,743,457)
	5,530,224	5,839,739
	$ 5,694,390	$ 6,023,858

COMMITMENTS AND CONTINGENCIES (Notes 1, 5, 6 and 10)

APPROVED ON BEHALF OF THE BOARD:

Signed "STEPHEN SHEFSKY", Director

Signed "MARK BRENNAN", Director

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	Three months ended March 31, 2009	Three months ended March 31, 2008	Six months ended March 31, 2009	Six months ended March 31, 2008
Expenses				
Consulting and management fees	$ 65,000	$ 55,430	$ 112,500	$ 150,620
Professional fees	55,377	14,653	132,617	28,496
Transfer agent and listing fee	12,631	25,467	15,530	29,897
Office and general	34,635	36,194	66,117	59,617
Amortization	590	4,796	1,214	6,135
	168,233	136,540	327,978	274,765
Loss before the undernoted	(168,233)	(136,540)	(327,978)	(274,765)
Interest income	8,103	2,210	18,463	5,679
Net loss before income taxes	(160,130)	(134,330)	(309,515)	(269,086)
Future income tax recovery	-	317,000	-	317,000
Net income (loss) for the period	(160,130)	182,670	(309,515)	47,914
Deficit, beginning of period	(1,892,842)	(1,013,917)	(1,743,457)	(879,161)
Deficit, end of period	$(2,052,972)	$ (831,247)	$(2,052,972)	$ (831,247)
Basic and diluted income (loss) per share	(0.01)	0.01	(0.01)	0.00
Weighted average common shares outstanding - basic and diluted	26,684,521	18,841,257	26,684,521	18,597,418

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended March 31, 2009	Three months ended March 31, 2008	Six months ended March 31, 2009	Six months ended March 31, 2008
CASH (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES:				
Net income (loss) for the period	$ (160,130)	$ 182,670	$ (309,515)	$ 47,914
Charges not affecting cash:				
Amortization	590	4,796	1,214	6,135
Future income tax recovery	-	(317,000)	-	(317,000)
Net change in non-cash working capital	(40,205)	19,002	(14,559)	(357,961)
	(199,745)	(110,532)	(322,860)	(620,912)
INVESTING ACTIVITIES:				
Interest in mineral properties	(50,725)	(232,745)	(115,446)	(449,272)
Equipment-Acquisitions	-	-	(216)	664
Long-term prepaid expenses	-	-	-	59,477
	(50,725)	(232,745)	(115,662)	(389,131)
FINANCING ACTIVITIES				
Private placement	-	1,175,000	-	1,175,000
Share issue costs	-	(82,544)	-	(82,544)
	-	1,092,456	-	1,092,456
CHANGE IN CASH	(250,470)	749,179	(438,522)	82,413
CASH, beginning of period	1,214,408	121,791	1,402,460	788,557
CASH, end of period	$ 963,938	$ 870,970	$ 963,938	$ 870,970

Cash and cash equivalents represented as follows:

	Three months 2009	Three months 2008	Six months 2009	Six months 2008
Cash	55,376	870,970	55,376	870,970
Short-term investments	908,562	-	908,562	-
Cash and cash equivalents	$ 963,938	$ 870,970	$ 963,938	$ 870,970

1. NATURE OF OPERATIONS AND GOING CONCERN

Castle Resources Inc. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act *(Alberta)* on April 29, 2004. Following the acceptance by the shareholders, on March 28, 2007, of its qualifying transaction, the Company became a development stage entity, as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11, in the business of acquisition, exploration and development of mineral resource interests.

The Company has interests in mineral properties located in Mexico and Canada. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination whether the Company's interests in exploration properties contain mineral reserves which are economically recoverable.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of interest in mineral properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values. Most of the Company's mining assets are located outside of Canada and are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations and restrictions.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and 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, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2009 may not necessarily be indicative of the results that may be expected for the year ending September 30, 2009.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

a) Interest in mineral properties

Exploration expenses relating to mineral properties in which the Company has an interest are deferred until the properties are brought into production, at which time they are amortized on a unit-of-production basis. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are expensed to operations in the year of abandonment or sale. Costs include the cash consideration and the fair market value of the shares issued for the acquisition of mineral properties. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company are recorded in the accounts at the time of payment.

The Company reviews capitalized costs on its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from sale of the property. Management's assessment of the property's estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

b) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the assets at the following annual rates:

Office furniture and fixtures	- 20%, declining balance basis
Computer equipment	- 30%, declining balance basis
Computer software	- 100%, declining balance basis

The Company recognizes an impairment loss on equipment when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. An impairment loss is measured as the excess of the carrying value of the asset over its fair value.

c) Measurement uncertainty and use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock-based compensation, warrants, brokers' options and income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

d) Asset retirement obligations

The Company recognizes the fair value of a liability for asset retirement obligation in the year in which it is incurred when a reasonable estimate of a fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimated undiscounted cash flows are recognized as an increase or decrease in the carrying amount of the liability for an asset retirement obligation and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset. As at March 31, 2009, management has determined that there are no asset retirement obligations.

e) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Using this method, future income tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

f) Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

g) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. Warrants in Note 7 and options in Note 8 have not been included in diluted loss per share as they are anti-dilutive.

h) Foreign currency translation

The consolidated financial statements have been presented in Canadian dollars. Accounts of foreign operations which are considered financially and operationally integrated are translated to Canadian dollars using the temporal method of accounting for foreign currency translation. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet dates. Non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses, except for amortization which is translated at historical rates, are translated using average exchange rates for the period. Translation gains and losses are included in operations.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

i) Flow-through financing

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to interest in mineral properties. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation reduce capital stock

j) Capital disclosures

The Company adopted CICA Handbook Section 1535. Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes 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 noncompliance. The Company has included disclosures recommended by the new Handbook section in Note 12 to these consolidated financial statements.

k) Comparative figures

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

l) Financial instruments

The Company adopted CICA Handbook Sections 3862 and 3863 regarding Financial Instruments. Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged 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. The Company has included disclosures recommended by the new Handbook section in Note 11 to these consolidated financial statements.

m) Cash and cash equivalents

The Company classified cash, redeemable investment deposits, and deposits with original maturities less than or equal to three months as cash and cash equivalents.

n) General standards on financial statement presentation

The Company adopted the recommendations in CICA Handbook Section 1400, "General Standards of Financial Statements Presentation" which includes requirements to assess an entity's ability to continue as a going concern; disclosure of material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern; disclosure of when financial statements are not prepared on a going concern basis, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

o) Recent accounting pronouncements

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are expected to converge with IFRS by the end of calendar 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

3. AMOUNTS RECEIVABLE

Included in amounts receivable is $130,094 (September 30, 2008 - $125,214) IVA recoverable (Mexican value added tax) and $8,919 (September 30, 2008 - $4,874) GST recoverable.

4. EQUIPMENT

March 31, 2009

	Cost	Accumulated Amortization	Net
Office furniture and equipment	**$ 4,765**	**$ 1,680**	**$ $3,085**
Computer equipment	**7,447**	**3,396**	**4,051**
Computer software	**6,830**	**6,529**	**301**
	$ 19,042	**$ 11,605**	**$ 7,437**

September 30, 2008

	Cost	Accumulated Amortization	Net
Office furniture and equipment	$ 4,765	$ 1,347	$ $3,418
Computer equipment	7,447	2,714	4,733
Computer software	6,614	6,331	283
	$ 18,826	$ 10,392	$ 8,434

5. INTEREST IN MINERAL PROPERTIES

The San Ramon Claim Group, Silver Project, Mexico	
Balance at September 30, 2008	$ 4,094,337
Capitalized costs	103,808
Balance at March 31, 2009	$ 4,198,145

The San Ramon Claim Group, Silver Project, Mexico

On July 12, 2006, the Company entered into a letter of intent with Great Horn Inc. ("Great Horn") to acquire certain mining claims held by Great Horn located in the State of Zacatecas in Mexico.

In consideration for the acquisition of Great Horn's mining claims, the Company issued Great Horn 8,000,000 common shares, subject to an escrow agreement (Note 6), with an estimated value of $0.30 per common share based on the price of the concurrent private placement, for aggregate consideration of $2,400,000. The Company also paid US$200,000 (approximately CDN $217,000).

6. CAPITAL STOCK

Authorized

Unlimited number of common shares
Unlimited number of preferred shares

Issued
Common shares

	Number #	**Amount** $
Balance at December 31, 2007	18,361,665	4,700,673
Private placement (i)	3,357,141	1,175,000
Private placement – warrant valuation	-	(175,000)
Shares issue costs (ii)	-	(50,250)
Shares issued for cash consideration	50,000	15,000
Private placement (iii)	4,915,715	1,489,000
Private placement – warrant valuation	-	(219,000)
Shares issue costs (iv)	-	(107,227)
Balance at September 30, 2008 and March 31, 2009	26,684,521	6,828,196

(i) On March 18, 2008, the Company completed a private placement of 3,357,141 flow-through units at $0.35 per unit for gross proceeds of $1,175,000. Each unit consists of one flow-through share and one-half of one common share purchase warrant (Note 7(i)). The broker was paid a cash commission of 6.5% of the amount of funds raised and granted brokers' warrants equivalent to 7% of the number of flow-through units sold to purchase units of the Company (Note 7(ii)). The Company has indemnified the subscribers for any tax related amounts that become payable by the subscriber as a result of the Company not meeting its expenditure commitments.

(ii) Included in share issuance costs is $20,000 relating to the net future tax effect of the issuance of flow-through shares.

(iii) On April 2, 2008 the Company completed a brokered private placement of 4,630,000 units at $0.30 per unit and 285,715 flow-through units at $0.35 per flow-through unit for gross proceeds of $1,489,000. The broker was paid a cash commission of 7% of the amount of funds raised and granted brokers' warrants equivalent to 7% of the number of units sold. (Notes 7(iii) and 7(iv)).

(iv) Included in share issuance costs is $34,000 relating to the net future tax effect of the issuance of flow-through shares.

(v) On March 28, 2007, the Company completed a private placement of 6,666,665 common shares at $0.30 per share for gross proceeds of $2,000,000.

(vi) In connection with the private placements described in Note 6(i) and (iii), the Company raised $1,275,000 through the issuance of flow-through shares and is required to spend such funds on qualified exploration expenditures by December 31, 2009. The Company indemnified the subscribers of the flow-through shares for any tax related amounts that become payable by such subscribers if the Company does not meet its expenditure requirements.

6. CAPITAL STOCK (Continued)

Escrow Shares

Pursuant to an escrow agreement dated as of June 30, 2004 among the Company, CIBC Mellon Trust Company ("CIBC Mellon") and certain shareholders of the Company, 2,000,000 common shares were deposited in escrow. Pursuant to that same escrow agreement, upon the initial public offering date, escrowed shares shall be released as to 10% immediately (the "Initial Release") and an additional 15% on the dates that are six months, twelve months, eighteen months, twenty-four months, thirty months and thirty-six months following the Initial Release.

Pursuant to an escrow agreement dated as of March 28, 2007 between the Company and Great Horn, 8,000,000 common shares issued to Great Horn in connection with the acquisition of an interest in mineral properties (Note 5) were deposited into escrow. Upon the Exchange issuing the Final Exchange Bulletin, 10% of the escrowed common shares will be released. An additional 15% of the escrowed common shares will qualify for release every six months thereafter.

As of March 31, 2009, 4,531,275 common shares are held in escrow.

7. WARRANTS

	Number \#	Amount $
Balance at December 31, 2007	-	-
Private placement (i)	1,678,570	133,000
Brokers' warrants (ii)	234,999	42,000
Warrant issue costs	-	(8,294)
Private placement (iii)	2,457,858	174,000
Brokers' warrants (iv)	344,100	45,000
Warrant issue costs	-	(24,353)
Balance at September 30, 2008 and March 31, 2009	**4,715,527**	**361,353**

(i) In connection with the March 18, 2008 private placement (Note 6(i)), 1,678,570 warrants were issued at an exercise price of $0.60 until September 18, 2009. The estimated fair value of these warrants of $133,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 93%, a risk-free interest rate of 4% and an expected life of 18 months.

(ii) The agent received 234,999 brokers' warrants which entitle the holder to purchase one unit of the Company at a price of $0.35. The warrants are exercisable for 18 months. The estimated fair value of the brokers' warrants of $42,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 93%, a risk-free interest rate of 4% and an expected life of 18 months. Each unit is exercisable into one common share of the Company and one common share purchase warrant exercisable at a price of $0.60 for a period of two years.

(iii) In connection with the April 2, 2008 private placement (Note 6(iii)), 2,457,858 warrants were issued at an exercise price of $0.45 until October 2, 2009. The estimated fair value of these warrants of $174,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 93%, a risk-free interest rate of 4% and an expected life of 18 months.

(iv) The agent received 344,100 brokers' warrants which entitle the holder to purchase one unit of the Company at a price of $0.30. The warrants are exercisable for 18 months. The estimated fair value of the brokers' warrants of $45,000 was estimated using the Black-Scholes option pricing model with the following assumptions: an expected dividend yield of 0%, expected volatility of 93%, a risk-free interest rate of 4% and an expected life of 18 months. Each unit is exercisable into one common share and one-half of one common share purchase warrant exercisable at a price of $0.45 for a period of 18 months.

8. STOCK-BASED COMPENSATION

The Company has an incentive stock option plan ("the Plan") whereby the Company can grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The Plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the Plan vest immediately pending any regulatory hold period.

The Plan provides that it is solely within the discretion of the Board to determine who would receive stock options and in what amounts. In no case (calculated at the time of grant) shall the Plan result in:

- The number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The number of options granted in any 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company;
- The aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.

The following table reflects the continuity of stock options during the period:

	March 31, 2009		September 30, 2008	
	Number of stock options #	Weighted average exercise price $	Number of stock options #	Weighted average exercise price $
Balance, beginning of period	1,205,000	0.28	1,804,000	0.20
Forfeited or expired	-	-	(599,000)	0.32
Balance, end of period	1,205,000	0.28	1,205,000	0.28

As of March 31, 2009, the following stock options were outstanding:

Value $	Outstanding Options #	Options Exercisable #	Exercise Price $	Expiry Date
26,686	280,000	280,000	0.20	May 31, 2009
189,750	825,000	825,000	0.30	March 28, 2012
27,000	100,000	100,000	0.35	June 4, 2012
243,436	1,205,000	1,205,000		

9. RELATED PARTY TRANSACTIONS

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

The Company rents office space from a corporation controlled by a director of the Company. During the period, rent of approximately $8,682 (March 31, 2008 - $10,131) was charged by this corporation included in office and general expenses.

During the quarter ended March 31, 2009, the Company incurred management and consulting fees of approximately $65,000 (March 31, 2008 - $41,125) paid to certain directors and officers of the Company.

10. FLOW-THROUGH SHARE SPENDING COMMITMENT

The Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the requirements of the Income Tax Act (Canada). The Company is obligated to incur qualifying expenditures in Canada (“CEE”) within 12 months from the effective date of renunciation (December 31, 2008) as defined in the Income Tax Act (Canada). At March 31, 2009, the Company’s remaining commitment with respect to unspent resources expenditures under flow-though common share agreements were approximately $885,000. Since the money was not spent by December 31, 2008, the Company will institute the look-back rule, which will give it until December 31, 2009, to make the required expenditures.

11. FINANCIAL INSTRUMENTS

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

(a) Capital Risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its mineral properties. The capital structure of the Company consists primarily of cash and cash equivalents and share capital.

(b) Credit Risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. Management’s assessment of the Company’s risk is low as it is primarily attributable to money market funds held in Canadian banks and Goods and Services Tax due from the Federal Government of Canada and IVA recoverable due from the Mexican government which are included in amounts receivable.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company’s shareholders and may result in dilution to the value of such interests. The Company intends on fulfilling its obligations.

11. FINANCIAL INSTRUMENTS (Continued)

(d) Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market price of certain minerals.

(i) Interest rate risk
The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(ii) Foreign currency risk
The Company is primarily exposed to currency fluctuations related to the Canadian dollar on expenditures that are denominated in United States (US) dollars and Mexican Pesos. The Company does not actively manage this risk.

(iii) Price risk
The Company is exposed to price risk with respect to commodity pricing.

(e) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period.

- The Company has cash equivalents as at March 31, 2009 at fixed interest rate of 3.35%. A change in interest rates will not have any significant impact on the Company.
- The Company does not hold significant balances in foreign currencies that give rise to exposure to foreign exchange risk.
- Price risk is remote since the Company is not a producing entity.

(f) Fair values

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Financial instruments included in amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at March 31, 2009, the carrying and fair value amounts of the Company's financial instruments are approximately the same due to the short term nature of the instruments.

12. CAPITAL MANAGEMENT

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 mineral properties. 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 properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed and if available.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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.