Royal Standard Minerals Inc.
(Continued under the Canada Business Corporations Act)

(An Exploration Stage Company)

(Expressed in United States Dollars)
Consolidated Financial Statements

January 31, 2010 and 2009

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Royal Standard Minerals Inc. (An Exploration Stage Company) were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the consolidated financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "Roland M. Larsen"

Roland M. Larsen
President and Chief Executive Officer

(signed) "J. Allan Ringler"

J. Allan Ringler
Chief Financial Officer

Toronto, Canada
May 19, 2010

MSCM LLP
Accountants & Advisors for a Complex World

Auditors' Report

To the Shareholders of
Royal Standard Minerals Inc.
(An Exploration Stage Company)

We have audited the consolidated balance sheets of Royal Standard Minerals Inc. as at January 31, 2010 and 2009 and the consolidated statements of mineral properties, operations, comprehensive loss, changes in shareholders' equity and cash flows for each of the years in the three-year period January 31, 2010 and for the period from inception on June 26, 1996 to January 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the three-year period ended January 31, 2010 and for the period from inception on June 26, 1996 to January 31, 2010 ended in accordance with Canadian generally accepted accounting principles.

We did not audit the consolidated financial statements of Royal Standard Minerals Inc. for the period from inception on June 26, 1996 to January 31, 2008. Those consolidated financial statements were audited by other auditors who issued a report without reservation on March 28, 2008.

Signed: ***"MSCM LLP"***

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
May 19, 2010

Comments by Auditors for U.S. Readers on Canada-U.S. Reporting Difference

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) where there are events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Note 1 to the consolidated financial statements. Our report to the shareholders dated May 19, 2010 is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions in the auditors' report when they are properly accounted for and adequately disclosed in the consolidated financial statements.

Signed: ***"MSCM LLP"***

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
May 19, 2010

Royal Standard Minerals Inc.
(An Exploration Stage Company)
Consolidated Balance Sheets
(expressed in United States Dollars)

As at January 31		**2010**		**2009**
Assets				
Current				
Cash and cash equivalents (Note 2(b))	**$**	**745,779**	$	1,701,148
Marketable securities (Note 5)		**60,500**		200,000
Sundry receivables and prepaids		**24,537**		46,643
		830,816		1,947,791
Due from related parties (Note 15)		**121,740**		100,307
Reclamation bonds (Note 6)		**534,984**		391,434
Mineral properties (Note 7)		**19,799,686**		19,007,396
Equipment, net (Note 8)		**725,906**		1,059,744
	$	**22,013,132**	$	22,506,672
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**301,381**	$	190,288
Asset retirement obligation (Note 9)		**232,010**		232,010
		533,391		422,298
Shareholders' Equity				
Share capital (Note 10(b))		**28,098,264**		28,095,521
Shares to be cancelled (Note 10(b))		**-**		(42,257)
Contributed surplus (Note 12)		**10,076,866**		9,765,395
Deficit		**(16,669,265)**		(15,848,161)
Accumulated other comprehensive income		**(26,124)**		113,876
		21,479,741		22,084,374
	$	**22,013,132**	$	22,506,672

Going Concern (Note 1)
Contingencies (Note 16)
Commitments (Note 17)

Approved by the Board:

Roland M. Larsen — **Director**

James B. Clancy — **Director**

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

Royal Standard Minerals Inc.
(An Exploration Stage Company)
Consolidated Statements of Mineral Properties
(expressed in United States Dollars)

For the years ended January 31	2010	2009	2008	Cumulative from date of inception of project
Gold Wedge Project				
Opening balance	**$15,177,300**	$11,866,061	$ 6,912,843	$ -
Property acquisition costs	**430,028**	121,785	93,463	1,151,675
Travel	**6,914**	35,222	77,588	332,277
Mine development costs	**10,671**	53,909	241,075	1,046,788
Drilling	**(202)**	64,356	606,223	948,793
General exploration	**-**	-	-	133,353
Professional fees	**7,528**	-	-	80,164
Consulting, wages and salaries	**282,548**	1,228,118	1,146,119	4,981,711
Office and general	**118,112**	410,285	729,941	1,674,306
Analysis and assays	**7,983**	29,006	23,899	155,610
Supplies, equipment and transportation	**54,153**	869,750	1,389,747	3,686,751
Amortization	**322,524**	498,808	645,163	2,226,131
Net proceeds from sale of exploration ore	**(330,015)**	-	-	(330,015)
Activity during the year	**910,244**	3,311,239	4,953,218	16,087,544
Closing balance	**$16,087,544**	$15,177,300	$11,866,061	$16,087,544
Pinon Project				
Opening balance	**$ 1,931,122**	$ 1,451,428	$ 1,148,259	$ -
Property acquisition costs	**54,013**	111,617	19,017	610,217
Travel	**-**	51,498	14,978	78,326
Drilling	**-**	-	-	130,600
General exploration	**-**	-	-	7,765
Professional fees	**19,668**	-	-	85,941
Office and general	**-**	-	54,413	98,120
Geologist	**-**	-	-	32,653
Consulting, wages and salaries	**258**	256,585	207,590	659,335
Reclamation costs	**-**	-	-	167,785
Analysis and assays	**-**	-	7,171	74,042
Supplies, equipment and transportation	**(3,544)**	59,994	-	56,733
Activity during the year	**70,395**	479,694	303,169	2,001,517
Closing balance	**$ 2,001,517**	$ 1,931,122	$ 1,451,428	$ 2,001,517

Royal Standard Minerals Inc.
(An Exploration Stage Company)
Consolidated Statements of Mineral Properties (continued)
(expressed in United States Dollars)

For the years ended January 31	2010	2009	2008	Cumulative from date of inception of project
Railroad Project				
Opening balance	**$ 460,013**	$ 331,446	$ 215,813	$ -
Property acquisition costs	**5,980**	128,567	115,633	465,993
Professional fees	**123,580**	-	-	123,580
Consulting, wages and salaries	**27,727**	-	-	27,727
Sale of property (note 7(b))	**(617,300)**	-	-	(617,300)
Activity during the year	**(460,013)**	128,567	115,633	-
Closing balance	**$ -**	$ 460,013	$ 331,446	$ -
Fondaway Project				
Opening balance	**$ 302,279**	$ 246,457	$ 162,778	$ -
Property acquisition costs	**37,497**	55,822	64,754	320,500
Travel	**-**	-	3,279	3,279
Drilling	**-**	-	15,646	15,646
Analysis and assays	**-**	-	-	351
Activity during the year	**37,497**	55,822	83,679	339,776
Closing balance	**$ 339,776**	$ 302,279	$ 246,457	$ 339,776
Como Project				
Opening balance	**$ -**	$ -	$ 108,050	$ -
Property acquisition costs	**-**	-	35,933	71,628
Travel	**-**	-	-	2,806
Geologist	**-**	-	-	5,098
Consulting, wages and salaries	**-**	-	-	41,532
Rent	**-**	-	1,477	55,052
Analysis and assays	**-**	-	-	9,138
Written off	**-**	-	(145,460)	(185,254)
Activity during the year	**-**	-	(108,050)	-
Closing balance	**$ -**	$ -	$ -	$ -

Royal Standard Minerals Inc.
(An Exploration Stage Company)
Consolidated Statements of Mineral Properties (continued)
(expressed in United States Dollars)

For the years ended January 31	2010	2009	2008	Cumulative from date of inception of project
Kentucky Project				
Opening balance	**$ 1,136,682**	$ -	$ -	$ -
Property acquisition costs	**300**	418,000	-	418,300
Travel	**12,162**	13,827	-	25,989
Reclamation	**2,925**	19,277	-	22,202
Professional fees	**29,673**	48,680	-	78,353
Consulting, wages and salaries	**43,694**	163,828	-	207,522
Office and general	**35,825**	60,655	-	96,480
Supplies, equipment and transportation	**93,508**	306,805	-	400,313
Rent	**750**	93,260	-	94,010
Amortization	**15,330**	12,350	-	27,680
Activity during the year	**234,167**	1,136,682	-	1,370,849
Closing balance	**$ 1,370,849**	$ 1,136,682	$ -	$ 1,370,849
TOTAL	**$19,799,686**	$19,007,396	$13,895,392	$19,799,686

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

Royal Standard Minerals Inc.
(An Exploration Stage Company)
Consolidated Statements of Operations
(expressed in United States Dollars)

For the years ended January 31	2010	2009	Restated (Note 20) 2008	Cumulative from date of inception June 26, 1996
Expenses				
General and administrative (Note 18)	$ **656,001**	$ 456,487	$ 872,321	$ 4,484,552
Consulting, wages and salaries (Note 15)	**444,159**	324,963	482,123	2,765,022
Stock-based compensation (Note 12)	**311,471**	-	853,953	5,934,302
General exploration	**-**	-	59,784	211,835
Amortization	**1,282**	1,788	2,132	16,360
	1,412,913	783,238	2,270,313	13,412,071
Loss before the following items	**(1,412,913)**	(783,238)	(2,270,313)	(13,412,071)
Interest income	**9,630**	115,822	396,294	864,663
Write down of advances to related company	**-**	-	-	(75,506)
Write-off of exploration properties	**-**	-	(145,460)	(3,944,324)
Gain on disposal of marketable securities	**-**	-	-	47,988
Write down of marketable securities	**-**	-	-	(407,105)
Gain on sale of exploration property	**583,199**	-	-	109,012
Foreign currency translation adjustment	**(1,020)**	(205,565)	1,180,034	888,818
Net loss for the year	$ **(821,104)**	$ (872,981)	$ (839,445)	$ (15,928,525)
Basic and diluted loss per share (Note 13)	$ **(0.01)**	$ (0.01)	$ (0.01)	

Consolidated Statements of Comprehensive Loss
(expressed in United States Dollars)

For the years ended January 31	2010	2009	Restated (Note 20) 2008	Cumulative from date of inception June 26, 1996
Net loss for the year	$ **(821,104)**	$ (872,981)	$ (839,445)	$ (15,928,525)
Other comprehensive gain (loss)				
Net (decrease) increase in unrealized gains on available-for-sale marketable securities	**(140,000)**	51,810	29,470	(58,720)
Comprehensive loss	$ **(961,104)**	$ (821,171)	$ (809,975)	$ (15,987,245)

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

Royal Standard Minerals Inc.
(An Exploration Stage Company)
Consolidated Statements of Changes in Shareholders' Equity
(expressed in United States Dollars)

For the years ended January 31	2010	2009	Restated (Note 20) 2008	Cumulative from date of inception June 26, 1996
Share capital				
Balance at beginning of year	**$ 28,095,521**	$ 28,354,608	$ 25,403,464	$ 2,513,184
Private placements, net of issue costs	**-**	-	-	21,776,134
Warrants valuation	**-**	-	-	(4,649,811)
Shares issued for mineral properties	**-**	-	-	972,579
Shares issued on stock options exercised (cancelled)	**-**	(259,087)	421,672	648,483
Value of stock options exercised	**-**	-	-	197,588
Shares issued on warrants exercised	**-**	-	1,868,342	6,004,418
Value of warrants exercised	**-**	-	661,130	1,747,099
Shares issued for services	**-**	-	-	184,590
Cancellation of shares held in escrow	**-**	-	-	(1,425,413)
Cancellation of shares	**(42,257)**	-	-	(42,257)
Shares issued as compensation	**45,000**	-	-	171,670
Balance at end of year	**$ 28,098,264**	$ 28,095,521	$ 28,354,608	$ 28,098,264
Shares to be issued				
Balance at beginning of year	**$ -**	$ -	$ -	$ 119,325
Activity during the year	**-**	-	-	(119,325)
Balance at end of year	**$ -**	$ -	$ -	$ -
Shares to be cancelled				
Balance at beginning of year	**$ (42,257)**	$ (42,257)	$ -	$ -
Activity during the year	**42,257**	-	(42,257)	-
Balance at end of year	**$ -**	$ (42,257)	$ (42,257)	$ -
Warrants				
Balance at beginning of year	**$ -**	$ 2,814,999	$ 3,546,935	$ -
Value of warrants issued	**-**	-	-	4,649,811
Value of warrants exercised	**-**	-	(661,130)	(1,747,099)
Value of warrants expired	**-**	(2,814,999)	(70,806)	(2,902,712)
Balance at end of year	**$ -**	$ -	$ 2,814,999	$ -

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

Royal Standard Minerals Inc.
(An Exploration Stage Company)
Consolidated Statements of Changes in Shareholders' Equity (continued)
(expressed in United States Dollars)

For the years ended January 31	2010	2009	Restated (Note 20) 2008	Cumulative from date of inception June 26, 1996
Contributed surplus				
Balance at beginning of year	**$ 9,765,395**	$ 6,950,396	$ 6,025,637	$ -
Cancellation of shares held in escrow	**-**	-	-	1,425,413
Value of stock options granted	**128,641**	-	853,953	5,763,499
Value of stock options exercised	**-**	-	-	(197,588)
Expired warrants	**-**	2,814,999	70,806	2,902,712
Modifications of options	**182,830**	-	-	182,830
Balance at end of year	**$ 10,076,866**	$ 9,765,395	$ 6,950,396	$ 10,076,866
Deficit				
Deficit, beginning of year as previously stated	**$ (15,848,161)**	$ (16,070,582)	$ (14,810,739)	$ (740,740)
Adjustments	**-**	1,095,402	675,004	-
Balance at beginning of year - restated	**(15,848,161)**	(14,975,180)	(14,135,735)	(740,740)
Net loss	**(821,104)**	(872,981)	(839,445)	(15,928,525)
Deficit, end of year	**$ (16,669,265)**	$ (15,848,161)	$ (14,975,180)	$ (16,669,265)
Accumulated other comprehensive income				
Balance at beginning of year	**$ 113,876**	$ 62,066	$ -	$ -
Transition adjustments	**-**	-	32,596	32,596
Net (decrease) increase in unrealized gains on available-for-sale marketable securities	**(140,000)**	51,810	29,470	(58,720)
Balance at end of year	**$ (26,124)**	$ 113,876	$ 62,066	$ (26,124)
Total Shareholders' Equity	**$ 21,479,741**	$ 22,084,374	$ 23,164,632	$ 21,479,741

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

Royal Standard Minerals Inc.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(expressed in United States Dollars)

For the years ended January 31	2010	2009	Restated (Note 20) 2008	Cumulative from date of inception June 26, 1996
Operating activities				
Net loss for the year	**$ (821,104)**	$ (872,981)	$ (839,445)	$ (15,928,525)
Operating items not involving cash:				
Amortization	**1,282**	1,788	2,132	16,360
Stock-based compensation	**311,471**	-	853,953	5,934,302
Write-off of bad debt	**-**	-	-	20,950
Write-off of exploration properties	**-**	-	145,460	3,944,324
Consulting services provided as payment for stock options/shares	**45,000**	-	117,678	162,678
Gain on sale of exploration properties	**(583,199)**	-	-	(109,012)
Gain on disposal of marketable securities	**-**	-	-	(47,988)
Write down of advances to related company	**-**	-	-	75,506
Write down of marketable securities	**-**	-	-	407,105
Changes in non-cash working capital:				
Sundry receivables and prepaids	**22,106**	67,381	44,382	(76,752)
Accounts payable and accrued liabilities	**111,093**	(30,449)	18,580	301,381
Cash (used in) provided by operating activities	**(913,351)**	(834,261)	342,740	(5,299,671)
Financing activities				
Issue of common shares, net of issue costs	**-**	-	2,172,336	32,282,817
Purchase of shares to be cancelled	**-**	-	(42,257)	(42,257)
Due from (due to) related parties	**(21,433)**	57,745	(311,333)	(472,913)
Cash (used in) provided by financing activities	**(21,433)**	57,745	1,818,746	31,767,647

ROYAL STANDARD MINERALS INC.

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

Royal Standard Minerals Inc.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows (continued)
(expressed in United States Dollars)

For the years ended January 31	2010	2009	Restated (Note 20) 2008	Cumulative from date of inception June 26, 1996
Investing activities				
Funds held in trust	**-**	-	-	(20,950)
Sale of short-term investments	**-**	117,761	315,938	-
Purchase of reclamation bonds	**(143,550)**	(347,672)	(171,611)	(662,833)
Redemption of reclamation bonds	**-**	-	150,192	150,192
Additions to mineral properties	**(1,071,737)**	(4,412,598)	(4,826,527)	(23,037,158)
Purchase of equipment	**(5,298)**	(89,000)	(74,593)	(2,996,078)
Purchase of marketable securities	**-**	-	-	(1,057,976)
Proceeds on disposal of marketable securities	**-**	-	-	690,859
Proceeds on sale of mineral properties	**1,200,000**	-	-	1,211,747
Cash used in investing activities	**(20,585)**	(4,731,509)	(4,606,601)	(25,722,197)
Change in cash and cash equivalents	**(955,369)**	(5,508,025)	(2,445,115)	745,779
Cash and cash equivalents, beginning of year	**1,701,148**	7,209,173	9,654,288	-
Cash and cash equivalents, end of year	**$ 745,779**	**$ 1,701,148**	**$ 7,209,173**	**$ 745,779**
Supplemental cash information				
Amortization capitalized to mineral properties	**$ 337,854**	$ 511,158	$ 645,163	$ 2,253,811
Shares issued for services	**$ 45,000**	$ -	$ -	$ 45,000

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

1. The Company and Operations and Going Concern

Royal Standard Minerals Inc. (the "Company") is a publicly held company, engaged in the acquisition, exploration and development of coal and precious metal properties in the United States. The Company is continued under the Canada Business Corporations Act and its common shares are traded in the United States of America on the OTC Bulletin Board. The Company has adopted the Accounting Guideline 11 – Enterprises in the Development Stage ("AcG11") as detailed by the Canadian Institute of Chartered Accountants ("CICA"). Inception has been deemed to be June 26, 1996, the date on which the Company acquired all of the outstanding common shares of Southeastern Resources Inc. ("SRI") which acquisition was accounted for as a reverse takeover of the Company by SRI.

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 mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative 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.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian accounting principles generally accepted ("Canadian GAAP").

A summary of the differences between Canadian GAAP and generally accepted accounting principles in the United States ("US GAAP") which affect the Company is contained in Note 21.

The significant accounting policies are as follows:

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Kentucky Standard Energy Inc. and Manhattan Mining Co., both United States companies.

All intercompany transactions and balances have been eliminated upon consolidation.

(expressed in United States Dollars)

2. Significant Accounting Policies (continued)

(b) Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheets at fair value and they are comprised of cash on hand, term deposits held with banks and other short-term liquid investments generally with an original maturity of three months or less.

		2010		2009		2008
Cash	**$**	**745,779**	$	176,901	$	3,587,850
Money market deposits		**-**		1,524,247		3,621,323
Cash and cash equivalents	**$**	**745,779**	$	1,701,148	$	7,209,173

(c) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided using the declining balance method using the following rates:

Exploration equipment	- 25% to 30%
Office equipment	- 20%

Equipment is assessed for future recoverability or impairment on an annual basis by estimating future net undiscounted cash flows and residual value or by estimating replacement values. When the carrying amount of equipment exceeds the estimated net recoverable amount, the asset is written down to fair value with a charge to income in the period that such determination is made.

(d) Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. Cost includes any cash consideration and advance royalties paid. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made.

If the economically recoverable coal and precious metal reserves are developed, capitalized costs of the related property will be reclassified as mining assets and amortized using the unit production method. When a mineral property is abandoned, all related costs are written-off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written-down to its estimated net realizable value. A mineral property is reviewed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

2. Significant Accounting Policies (continued)

(e) Asset retirement obligation

Section 3110 of the CICA Handbook requires the recognition of a liability for obligations relating to the retirement of property, plant and equipment and obligations arising from acquisition, construction, development or normal operations of those assets. The Company recognizes the fair value of a liability for an asset retirement obligation ("ARO") in the year in which a reasonable estimate of the fair value can be made. The estimates are based principally on legal and regulatory requirements. It is quite possible that the Company's estimates of its ultimate reclamation and closure liabilities associated with any mine or facility built will change as a result of changes in regulations, changes in the extent of environmental remediation required, changes in the means of reclamation or changes in cost estimates. Consequently, changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows will be recognized as an increase or a decrease to the carrying amount of the liability and related long-lived asset. The liability will be increased for the passage of time and reported as an operating expense (accretion cost). The estimated cost associated with the retirement of the mineral properties is capitalized to those assets and will be amortized when these assets are put into production at amortization rates assigned to those assets.

(f) Stock-based compensation plans

The fair value of the stock options granted to directors, officers and employees is determined using the Black-Scholes option pricing model and management's assumptions as disclosed in Note 12 and recorded as stock-based compensation expense over the vesting period of the stock-options, with the offsetting credit recorded as an increase in contributed surplus. The fair value of stock options issued to other than employees are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable and vest over the period of service.

If the stock options are exercised, the proceeds are credited to share capital and the fair value at the date of grant is reclassified from contributed surplus to share capital.

(g) Income taxes

Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax base of the assets and liabilities, and are measured using the substantively enacted tax rates expected to be in effect when these temporary differences are likely to reverse. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized, and a valuation allowance is applied against any future tax asset if it is more likely than not that the asset will not be realized.

(h) Loss per common share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

2. Significant Accounting Policies (continued)

(i) Foreign currency translation

The Company uses the United States Dollar as its functional and reporting currency, as the majority of its transactions are denominated in this currency and the operations of its subsidiaries are considered to be of an integrated nature.

Monetary assets and liabilities of the parent company denominated in Canadian funds are translated into United States funds at year end rates of exchange. Other assets and liabilities and share capital of the parent company are translated at historical rates. Revenues and expenses of the parent company are translated at the average exchange rate for the year. Gains and losses on foreign exchange are recorded in operations in the current year.

(j) Marketable securities

Marketable securities are carried at fair value. Also see note 2(l)(i).

(k) Short-term investments

Short-term investments are liquid investments with a maturity greater than three months but less than one year.

(l) Financial instruments and comprehensive income (loss)

The Company's financial instruments consist of cash and cash equivalents, marketable securities, sundry receivables, accounts payable, and accrued liabilities and due from related parties. The carrying values of these financial instruments approximate their fair market values due to the relatively short periods to maturity or capacity for prompt liquidation of these instruments.

The Company has designated, for accounting purposes, its cash and cash equivalents as held-for-trading, which are measured at fair value. Sundry receivables and due from related parties are classified for accounting purposes as loans and receivables, which are measured at amortized cost which approximates fair market value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which equals fair market value. In addition, the Company’s marketable securities are classified for accounting purposes as available-for-sale which are also measured at fair value.

(i) The Company’s marketable securities are classified as “available-for-sale” and are measured at fair value. Changes in fair value are recognized in other comprehensive income until they are disposed or impaired, at which time they are transferred to net income. Investments in securities having quoted market values and which are publicly traded on a recognized securities exchange and for which no sales restrictions apply are recorded at values based on the current bid prices.

The Company’s investments in equity securities that do not have a quoted market price in an active market are measured at cost. As at January 31, 2010 the Company had an investment in 500,000 shares of a private company valued at $500.

2. Significant Accounting Policies (continued)

(m) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenue and expense during the reporting period. The most significant estimates are related to the recoverability of exploration expenditures, stock based compensation, and future tax assets and liabilities. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

(n) Capital Disclosures

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 non-compliance. The Company has included disclosures recommended by the Handbook section in Note 3 to these consolidated financial statements.

(o) 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 Handbook sections in Note 4 to these consolidated financial statements.

(p) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal years ending on or after January 20, 2009. There were no changes in the Company's approach during the financial year ended January 31, 2010.

(q) Mining exploration costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174 Mining Exploration Costs, which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The EIC is effective for financial statements issued on or after March 27, 2009 and as such applies to the Company's deferred exploration expenditure costs as at January 31, 2009. There were no changes in the Company's approach during the financial year ended January 31, 2010.

(expressed in United States Dollars)

2. Significant Accounting Policies (continued)

(r) Adoption of New Accounting Policies

(i) Goodwill and Intangible Assets

In November 2007, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at or for the year ended January 31, 2010.

(ii) Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the CICA issued an amendment to Handbook Section 3862 to provide improvements to fair value and liquidity risk disclosures. The amendment applies to the Company's fiscal year ended January 31, 2010. This adoption resulted in additional disclosure as provided below.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash and cash equivalents and marketable securities. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP.

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

	Level One	Level Two	Level Three
Cash	$ 745,779	$ -	$ -
Marketable securities	$ 60,000	$ -	$ 500

(s) Future accounting changes

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

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian generally accepted accounting principles with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of the transition to IFRS on its consolidated financial statements.

2. Significant Accounting Policies (continued)

(s) Future accounting changes (continued)

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

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations" ("Section 1582"), Section 1601, "Consolidated Financial Statements" ("Section 1601") and Section 1602, "Non-Controlling interests" ("Section 1602"). These new standards will be effective for fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of the fiscal year. The Company is in the process of evaluating the requirements of the new standards.

Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3 - "Business Combinations". The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a noncontrolling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard lAS 27 - "Consolidated and Separate Financial Statements" and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

3. Capital Management

The Company considers its capital structure to consist of share capital, stock options, and warrants. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its 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 team to sustain the 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 program and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital within current economic conditions by:

i) minimizing discretionary disbursements;
ii) reducing or eliminating exploration expenditures which are of limited strategic value;
iii) exploring alternate sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient potential and if it has adequate financial resources to do so.

3. Capital Management (continued)

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 financial year ended January 31, 2010. The Company is not subject to externally imposed capital requirements.

4. Property and Financial Risk Factors

(a) Property risk

The Company's significant mineral properties are outlined below:
Gold Wedge Project
Pinon Project
Fondaway Project
Kentucky Project

(collectively called the "Properties")

Unless the Company acquires or develops additional significant resource properties, the Company will be solely dependent upon the Properties. If no additional mineral properties are acquired by the Company, any adverse development affecting the Properties would have a material adverse effect on the Company's financial condition and results of operations.

(b) Financial risk factors

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate, and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash equivalents and due from related parties. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of money market deposits, which have been invested with reputable financial institutions, from which management believes the risk of loss to be minimal.

Due from related parties consist of amounts due from an officer of the Company and a company under common management. Due from related parties are in good standing as of January 31, 2010. Management believes that the credit risk concentration with respect to due from related parties is minimal.

The Company's marketable securities are subject to fair value fluctuations. Management believes that the credit risk with respect to marketable securities is remote.

4. Property and Financial Risk Factors (continued)

(b) Financial risk factors (continued)

(ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2010, the Company had a cash and cash equivalents balance of $745,779 (2009 - $1,701,148) to settle current liabilities of $301,381 (2009 - $190,288). All of the Company's financial liabilities have contractual maturities of less than 60 days and are subject to normal trade terms.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates, bankers acceptance and money market deposits, with reputable financial institutions. The Company regularly monitors its cash management policy.

Foreign currency risk

The Company's functional and reporting currency is the US dollar and major purchases are transacted in United States dollars. An operating account is maintained in Canadian dollars primarily for settlement of general and corporate expenditures.

Commodity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as it relates to coal and precious metals in the United States, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(c) Sensitivity analysis

As of January 31, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

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:

- Interest rate risk is remote as the interest rates on the Company's money market deposits and short-term investments are fixed.

4. Property and Financial Risk Factors (continued)

(c) Sensitivity analysis (continued)

- The Company's marketable securities are subject to fair value fluctuations. As at January 31, 2010, if the fair value of the marketable securities had decreased/increased by 10% with all other variables held constant, comprehensive loss for the twelve months ended January 31, 2010 would have been approximately $6,050 higher/lower. Similarly, as at January 31, 2010, reported shareholders' equity would have been approximately $6,050 lower/higher as a result of a 10% decrease/increase in the fair value of marketable securities.
- Cash and cash equivalents, sundry receivables, due from related parties and accounts payable and accrued liabilities denominated in Canadian dollars are subject to foreign currency risk. As at January 31, 2010, had the US dollar weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, would affect net loss and comprehensive loss by approximately $2,500.
- Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of coal and precious metals. Coal and precious metals have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of coal and precious metals may be produced in the future, a profitable market will exist for them. A decline in the market price of coal and precious metals may also require the Company to reduce its mineral properties, which could have a material and adverse effect on the Company's value. As of January 31, 2010, the Company is not a coal or precious metals producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

5. Marketable Securities

Marketable securities consist of 2,000,000 common shares of Sharpe Resources Corporation ("Sharpe"), a publicly held Canadian company engaged in the exploration and development of coal properties in the United States. Sharpe is considered to be related to the Company because of common management. The market value of the shares at January 31, 2010 was $60,000 (2009 - $200,000; 2008 - $148,189).

The quoted market values represents the fair value of the shares.

As at January 31, 2010, the Company had an investment in 500,000 shares of a private company valued at $500.

6. Reclamation Bond

The Company has posted reclamation bonds for its mining projects, as required by the States of Nevada and Kentucky, to secure clean-up costs if the projects are abandoned or closed.

(expressed in United States Dollars)

7. Mineral Properties

Name of Mineral Property	2010	2009	2008
Gold Wedge project (a)	**$16,087,544**	$15,177,300	$11,866,061
Pinon project (b)	**2,001,517**	1,931,122	1,451,428
Railroad project (b)	**-**	460,013	331,446
Fondaway project (c)	**339,776**	302,279	246,457
Kentucky project (d)	**1,370,849**	1,136,682	-
	$19,799,686	$19,007,396	$13,895,392

(a) Gold Wedge Project

The Gold Wedge Project is a property owned by the Company in the Manhattan Mining District in Nye County, Nevada. The Company has been issued a mine and mill permit for the project on this property by the Nevada Department of Environment Protection. Construction of a processing plant has been completed on site and testing of various mineral processing functions have been performed. Further testing will be performed in the future. There is a 3% net smelter return ("NSR") on the property that will be retired upon the execution of the option agreement.

Contiguous to the Gold Wedge Property was the Dixie-Comstock Mining Company option, in Nye County located within the Manhattan District and other unpatented mining claims located in Churchill County, Nevada, was also held under the same option agreement. During the year, the Company exercised its option to purchase these unpatented and patented mining claim groups. The Company made option payments totaling $24,000 and made a final payment of $280,344 to acquire the property. There was a gross production royalty of 8% to a maximum of $300,000 on the property that was retired when the purchase option was exercised.

The Company has recorded an asset retirement obligation of $156,075 on this project, representing the estimated costs of the Company's obligation to restore the site to its original condition. This asset retirement obligation is equal to the amount of the reclamation bond posted by the Company with the State of Nevada.

(b) Pinon Project

The Pinon project is a property made up of a number of property lease agreements whereby the Company leases the surface and mineral rights from the land owners for an annual fee. The properties are in Elko Country, Nevada. There is a 5% NSR on the properties under these lease agreements.

7. Mineral Properties (continued)

(b) Pinon Project (continued)

Railroad Project

The Railroad project was a property made up of property lease agreements whereby the Company leased the surface and mineral rights from the landowners for an annual fee.

On August 30, 2009, the Company entered into a purchase and sale agreement whereby 100% of the Railroad Project was sold. Under the terms of the agreement the Company received from an unrelated private company net, after payout of the option to acquire 100% of the option to purchase the project, $1,200,000. The Company retained a 1% NSR royalty and received 500,000 common shares in the private company, valued at $500.

The Company has a reclamation bond posted against its Pinon Railroad project in the amount of $56,658. The Company is in the process of recovering the outstanding amount.

(c) Fondaway Project

The Fondaway Project is located in Churchill County, Nevada. The Company has leased the property and was obligated to make payments of $25,000 in fiscal 2003, $30,000 in 2004 and 2005 and $35,000 in each of the following seven years. All these payments have been made to date. The Company is also obligated to provide a 3% NSR upon production.

(d) Kentucky Project

The Company has entered into an option agreement whereby it agreed to an option to acquire a 50% interest in coal properties in eastern Kentucky by advancing to the project $2 million prior to December 9, 2009. Once the option is exercised by the Company a 50/50 Joint Venture agreement will be entered into by the parties.

Under the option agreement a 100% interest in the coal mineral rights on approximately 1,000 acres in Wolfe County, Kentucky was acquired. The transaction costs included an acquisition cost of $250,000 and payment of a reclamation bond of $178,700. The property has a royalty of 6% on produced coal product.

The optionor of the agreement is Sharpe Resources Corporation ("Sharpe') which is related to the Company due to common management and directors.

The Company has recorded an asset retirement obligation on its Kentucky project in the amount of $19,277 representing the Company's obligation to restore the property to its original condition.

On September 11, 2009, the Company obtained an extension of the Option and Joint Venture agreement it has with Sharpe. The extension allows the Company to incur expenditures of $2,000,000 under the agreement up to December 9, 2011.

(expressed in United States Dollars)

8. Equipment

	2010	2009	2008
Cost			
Exploration equipment	**$ 2,977,464**	$ 2,972,166	$ 2,883,166
Office equipment	**21,253**	21,253	21,253
	2,998,717	2,993,419	2,904,419
Accumulated amortization			
Exploration equipment	**2,253,811**	1,915,957	1,404,799
Office equipment	**19,000**	17,718	15,930
	2,272,811	1,933,675	1,420,729
Net carrying value			
Exploration equipment	**723,653**	1,056,209	1,478,367
Office equipment	**2,253**	3,535	5,323
	$ 725,906	$ 1,059,744	$ 1,483,690

Amortization of exploration equipment is capitalized to mineral properties and amortization of office equipment is charged to operations.

9. Asset Retirement Obligation

The Company is required to recognize a liability for a legal obligation to perform asset retirement activities, including decommissioning, reclamation and environmental monitoring activities once any of its projects are permanently closed. Although these activities are conditional upon future events, the Company is required to make a reasonable estimate of the fair value of the liability. Based on the existing level of terrestrial disturbance and water treatment and monitoring requirements, the discounted asset retirement obligation ("ARO's") were estimated to be $232,010 as at January 31, 2010, assuming payments made over a five year period.

Determination of the undiscounted ARO and the timing of these obligations were based on internal estimates using information currently available, existing regulations, and estimates of closure costs. There was no significant change in present value of the obligation between 2009 and 2010. No amount has been expensed in the years ended January 31, 2010 and 2009. Following is the reconciliation of the asset retirement obligation:

	2010	2009	2008
Balance, beginning of year	**$ 232,010**	$ 203,186	$ 181,767
Accretion cost	**-**	28,824	21,419
Balance, end of year	**$ 232,010**	$ 232,010	$ 203,186

(expressed in United States Dollars)

10. Share Capital

(a) Authorized

The authorized capital of the Company consists of an unlimited number of common shares without par value.

(b) Issued

Common shares issued	Shares	Amount
Balance at January 31, 2007	78,275,275	$ 25,403,464
Shares issued on warrants exercised	4,289,550	1,868,342
Value of warrants exercised	-	661,130
Shares issued on stock options exercised	1,515,000	421,672
Balance, January 31, 2008	84,079,825	28,354,608
Stock options and shares cancelled (ii)	(885,000)	(259,087)
Balance, January 31, 2009	83,194,825	28,095,521
Shares issued as compensation (iii)	750,000	45,000
Shares re-purchased cancelled (i)	(91,000)	(42,257)
Balance, January 31, 2010	**83,853,825**	**$ 28,098,264**

(i) On June 18, 2007, the Company initiated a normal course issuer bid process whereby a maximum of 4,000,000 common shares, representing approximately 5% of the issued and outstanding common shares, could be repurchased beginning June 25, 2007 and terminating June 25, 2008. On August 3, 2007, the Company purchased 91,000 common shares of the Company at a cost of $42,257. These shares were purchased pursuant to the normal course issuer bid and were cancelled in 2010. The historical value of these shares were removed from share capital and the excess over the purchase price was recorded as an increase in contributed surplus. In 2010, the Company cancelled these shares.

(ii) On March 16, 2009 the shares issued on stock options exercised in 2008 were cancelled by the Board of Directors of the Company as the bonus granted that was used to exercise the stock options was cancelled as it was not approved by the Board of Directors.

(iii) On August 25, 2009, the Company issued 750,000 common shares at a price of $0.06 to settle a debt of $45,000 in respect of services rendered by a consultant to the Company.

(expressed in United States Dollars)

11. Warrants

The following table reflects the continuity of warrants:

	Number of Warrants	Weighted Average Exercise Price Canadian ($)
Balance, January 31, 2008	6,487,996	$ 1.75
Expired	(6,487,996)	1.75
Balance, January 31, 2009 and 2010	**-**	**$ -**

12. Stock Options

Under the Company's stock option plan (the "Option Plan"), the directors of the Company can grant options to acquire common shares of the Company to directors, employees and others who provide ongoing services to the Company. Exercise prices cannot be less than the closing price of the Company's shares on the trading day preceding the grant date and the maximum term of any option cannot exceed ten years.

The number of common shares under option at any time under the Option Plan or otherwise cannot exceed 5% of the then outstanding common shares of the Company for any optionee. In addition, options granted to insiders of the Company cannot exceed more than 10% of the then outstanding common shares of the Company. The options vest when granted.

The following table reflects the continuity of stock options:

	Number of Stock Options			Weighted Average Exercise Price Canadian ($)		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
Outstanding at beginning of year	**7,606,500**	7,826,500	7,826,500	**$ 0.81**	$ 0.80	$ 0.79
Granted during year	**2,062,191**	-	2,015,000	**0.10**	-	0.60
Exercised during year	**-**	-	(1,515,000)	**-**	-	(0.31)
Expired during year	**-**	(220,000)	(500,000)	**-**	(0.27)	(1.44)
Cancelled during the year	**(1,764,000)**	-	-	**(0.81)**	-	-
Outstanding at end of year	**7,904,691**	7,606,500	7,826,500	**$ 0.10**	$ 0.81	$ 0.80

(expressed in United States Dollars)

12. Stock Options (continued)

The following table reflects the stock options outstanding and exercisable as at January 31, 2010:

Expiry Date	Exercise Price ($)	Options Outstanding	Fair Value	Weighted average remaining years
June 26, 2014	0.10	7,904,691	$ 4,298,688	4.40

During the current year, the Company issued 2,062,191 options with an exercise price of $0.10 per common share, with an expiry date of June 26, 2014. During June 2009, the Company obtained approval to re-price all outstanding stock options to $0.10 per share and expiry date to June 26, 2014. The original exercise prices ranged from CDN$0.29 to CDN$1.44 and with various expiry dates between April 13, 2010 to July 13, 2012. On modification of the stock options, an incremental value of $182,830 of stock-based compensation was recognized and reflected in contributed surplus.

The fair value of the stock options granted and re-valued was estimated on the date of grant using the Black-Scholes option pricing model. Accordingly, a total of $311,471 was recorded as stock option compensation and contributed surplus. The following assumptions were made in estimating the fair value of the stock options modified and granted: dividend yield, 0%; risk-free interest rate, 2.53%; estimated life, 5 years and volatility, 187.73%.

For fiscal 2010, the weighted-average grant date fair value of options was $128,641 (2009 - $NIL; 2008 - $853,953) or $0.06 (2009 - $NIL; 2008 - $0.77) per option.

The following table reflects the continuity of contributed surplus:

	Amount
Balance, January 31, 2007	$ 6,025,637
Options granted	853,953
Expired warrants	70,806
Balance, January 31, 2008	6,950,396
Expired warrants	2,814,999
Balance, January 31, 2009	9,765,395
Options granted	128,641
Options modification	182,830
Balance, January 31, 2010	**$ 10,076,866**

(expressed in United States Dollars)

13. Basic and Diluted Loss Per Share

The following table sets forth the computation of basic and diluted loss per share:

	2010	**2009**	**Restated (Note 20) 2008**
Numerator:			
Loss for the year	**$ (821,104)**	$ (872,981)	$ (839,445)
Denominator:			
Weighted average number of common shares outstanding for basic and diluted loss per share	**83,470,428**	83,194,825	82,983,768
Basic and diluted loss per share	**$ (0.01)**	$ (0.01)	$ (0.01)

The stock options and common share purchase warrants were not included in the computation of diluted loss per share on January 31, 2010, 2009 and 2008 as their inclusion would be anti-dilutive.

14. Income Taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rate at 32.92% (2009 - 33.46% and 2008 - 35.90%) to the amounts recognized in the consolidated statements of operations:

	2010	**2009**	**2008**
Net loss before income taxes reflected in consolidated statements of operations	**$ (821,104)**	$ (872,981)	$ (839,445)
Expected income tax (recovery)	**$ (270,307)**	$ (292,099)	$ (301,361)
Write-off of exploration properties	**-**	-	52,220
Deductible share issue costs	**(104,768)**	(100,748)	(153,994)
Stock option compensation expense	**102,536**	-	306,569
Amortization	**422**	600	765
Unrealized foreign exchange (gain) loss	**-**	-	(418,147)
Subsidiary losses capitalized for consolidation purpose	**-**	(1,563,724)	(475,462)
Difference between Canadian and foreign tax rates	**(11,354)**	(6,352)	4,007
Taxable benefits not recognized	**283,471**	1,962,323	985,403
Income tax (recovery) expense	**$ -**	$ -	$ -

(expressed in United States Dollars)

14. Income Taxes (Continued)

The following table reflects future tax assets at January 31, 2010, 2009 and 2008:

	2010	2009	2008
Unclaimed non-capital losses	**$ 4,225,533**	$ 4,394,441	$ 3,034,668
Unclaimed capital losses	**6,099**	6,119	8,706
Excess of undepreciated capital cost allowance over carrying value of capital assets	**635,187**	513,640	639,429
Excess of unclaimed resource pools over carrying value of exploration properties	**100,907**	1,222,368	600,527
Unclaimed share issue costs	**46,699**	126,667	304,465
	5,014,425	6,263,235	4,587,795
Valuation allowance	**(5,014,425)**	(6,263,235)	(4,587,795)
Future income tax assets	**$ -**	$ -	$ -

At January 31, 2010, the Company had unclaimed Canadian and foreign resource pools of approximately $20,203,000 (CDN $21,603,000) consisting of Canadian Exploration Expenditures of $1,161,000 (CDN $1,242,000), Canadian Development Expenses of $281,000 (CDN $300,000), Foreign Resource Expenses of $18,761,000 (CDN $20,061,000). Also available is unclaimed share issue costs of $187,000 (CDN $199,700) and unclaimed non-capital losses carried forward of $13,581,823, which will expire as follows*:*

2011	$ 663,605
2015	593,151
2026	803,356
2027	6,216,139
2028	2,142,699
2029	1,477,831
2030	1,685,042
	$ 13,581,823

15. Related Party Transactions and Balances

		2010		2009		2008
Due from related parties:						
Sharpe Resources Corporation (i)	**$**	**121,740**	$	100,307	$	127,498
The President and Director of the Company (ii)		**-**		-		285,711
	$	**121,740**	$	100,307	$	413,209

(i) Sharpe is related to the Company because of common management. On September 9, 2008, the Company entered into an agreement with Sharpe for the repayment of certain advances totaling the principal amount of $124,521 (the "Advances") that have been loaned by the Company to Sharpe since January 1, 2005. Sharpe has executed a promissory note (the "Note") in favour of the Company that provides for the repayment of the Advances over a three-year period commencing on September 9, 2008. Pursuant to the Note, the outstanding amount of the Advances will accumulate interest at the rate of 4% per annum, such interest to accrue daily and be payable monthly in arrears on the first business day of each and every month commencing on October 9, 2008 until the full amount of the Advances together with all interest on such amount has been repaid in full,

On September 11, 2009, the Company cancelled the Note received from Sharpe and received a new promissory note in the amount of $133,134 at 0% interest payable in three equal installments on September 9, 2011, 2012 and 2013 as consideration for the extension of the Option and Joint Venture agreement it has with Sharpe (see Note 7(ii)). Netted against the due from related party of Sharpe is a balance due to a related party, a subsidiary of Sharpe in the amount of $11,394.

(ii) This advance was interest bearing at 4% and was repayable within 3 years. During 2009, the advance was cancelled as it related to the issuance of common shares and those shares were cancelled.

Consulting, wages and salaries include a bonus accrual of $125,000 (2009 - $NIL; 2008 - $117,678) and salary paid of $124,986 (2009 - $249,995; 2008 - $249,995) to the President of the Company.

Consulting, wages and salaries include a bonus accrual of $5,200 (2009 - $NIL; 2008 - NIL) and salary paid of $45,061(2009 - $82,337; 2008 - $78,002) to an employee who is also a family member of the President and Director of the Company.

Compensation of $38,500 CDN (2009 - CDN $23,080 – former CFO; 2008 - $60,008) was paid to the CFO of the Company.

During the year, a corporation associated with a director and officer of the Company was paid fees in Canadian dollars of $6,852 (2009 - $9,849, 2008 - $19,798).

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

16. Contingencies

(a) The Company and a dissident group of shareholders agreed to settle matters between the parties based on a judgement made by the United States District Court of the Central District of California. The judgement and agreement approved by the District Court stated that the dissident group could not sell or acquire any shares of the Company without notifying the Company and must vote with management on matters being voted on at shareholder meetings for three years from May 5, 2008.

(expressed in United States Dollars)

16. Contingencies (continued)

(b) The Company entered into an agreement with a service provider whereby the service provider was obligated to perform its services for $58,000. The service provider has claimed that they have performed all the services required to earn the fees agreed to and has commenced legal actions demanding payment. In the opinion of management, the legal proceedings are without merit and the Company intends to vigorously defend itself against this claim. Defence of claim is in the preliminary stages while no probable outcome can be determined at this time, management believes the Company will be successful in defending this claim. Accordingly, no estimated loss provision has been made in the accompanying consolidated financial statements.

17. Commitments

(i) On January 1, 2006, the Company entered into a management agreement with the President of the Company for management and consulting services for $250,000 per annum which expires in January 1, 2011. On January 1, 2007 and on each January 1 during the term of the agreement, the compensation may be increased by 10% per annum. This agreement can be renewed for an additional five years.

(ii) The Company is obligated to incur lease payments in the amount of $77,000 per year to keep the Pinon Project in good standing.

18. General and Administrative

	2010	2009	2008
Advertising and promotion	**$ 205,415**	$ 52,000	$ 94,429
Corporate development	**47,813**	64,117	116,191
Insurance	**30,065**	33,161	58,776
Office and general	**92,212**	127,411	124,511
Professional fees	**243,219**	176,204	425,628
Travel	**11,187**	3,594	1,907
Capital tax, interest and penalties	**26,090**	-	50,879
	$ 656,001	$ 456,487	$ 872,321

19. Segmented Information

The Company has one reportable business segment consisting of the exploration and development of mining properties. Substantially all of the Company’s assets are located in the United States except for cash and cash equivalents and totaling $678,589 (2009 - $1,673,912, 2008 - $7,222,749) held in Canadian banks. The Company’s operations in Canada consist of general and administrative expenses, totaling $1,035,250 (2009 - $356,249, 2008 - $424,743) necessary to maintain the Company’s public company status.

20. Restatement of Prior Year Financial Statements

During the preparation of the consolidated financial statements for the year ended January 31, 2009, it was determined that foreign exchange gains and losses should be recorded in the statement of operations as the Company uses the United States Dollar as its functional and reporting currency, as the majority of its transactions are denominated in this currency and the operations of its subsidiaries are considered to be of an integrated nature. The effect of this restatement as at January 31, 2008 and 2007 has been to decrease net loss by $1,180,034 and increase net loss by $381,030 respectively and a decrease in accumulated other comprehensive income by $1,180,034 and an increase in accumulated other comprehensive income by $381,030 respectively. There was no impact on total shareholders' equity as a result of the change. The effect of the change reduced net loss per share by $0.01 to $0.01 per share for the year ended January 31, 2008 and increased the net loss per share by $0.01 to $0.01 per share for the year ended January 31, 2007.

21. Differences Between Canadian GAAP and US GAAP

The Company's consolidated financial statements have been prepared in accordance with Canadian GAAP. These principles, as they pertain to the Company's consolidated financial statements differ from US GAAP as follows:

Under Canadian GAAP, the Company accounts for its exploration costs as described in Note 2(d), while under US GAAP, exploration costs cannot be capitalized and are expensed as incurred. Also, available-for-sale securities were reported at cost, in the prior years, under Canadian GAAP, while under US GAAP, they were reported at market value.

(expressed in United States Dollars)

21. Differences Between Canadian GAAP and US GAAP (continued)

Had the Company's consolidated balance sheets as at January 31, 2010 and 2009 been prepared using US GAAP, such balance sheets would be presented as follows:

	2010	2009
Assets		
Current		
Cash and cash equivalents	$ 745,779	$ 1,701,148
Available-for-sale securities	60,500	200,000
Other receivables and prepaids	24,537	46,643
	830,816	1,947,791
Due from related parties	121,740	100,307
Reclamation bond	534,984	391,434
Equipment	725,906	1,059,744
Mining properties - acquisition costs	1,874,404	1,596,766
Mine development	1,044,703	1,034,032
	$ 5,132,553	$ 6,130,074
Liabilities		
Current		
Accounts payables	$ 78,003	$ 55,858
Accrued liabilities	223,377	134,430
	301,380	190,288
Asset retirement obligation	232,010	232,010
	533,390	422,298
Shareholders' Equity		
Capital stock	27,517,239	27,514,496
Treasury stock	-	(42,257)
Additional paid-in capital	9,930,740	9,619,269
Cumulative adjustments to marketable securities	(433,230)	(293,230)
Deficit accumulated during the development stage	(32,415,586)	(31,090,502)
	4,599,163	5,707,776
	$ 5,132,553	$ 6,130,074

US GAAP requires the presentation of the consolidated statement of comprehensive loss, which includes in addition to revenue and expenses, those comprehensive income items recorded directly in equity on the balance sheet.

(expressed in United States Dollars)

21. Differences Between Canadian GAAP and US GAAP (continued)

The consolidated statements of operations and comprehensive loss, cash flows and changes in shareholder's equity under US GAAP are as follows:

Consolidated Statements of Operations and Comprehensive Income Loss:

	Cumulative from inception	2010	2009	Restated (Note 20) 2008
Expenses				
General and administrative	$ 4,484,552	$ 656,001	$ 456,487	$ 872,321
Consulting fees	2,765,022	444,159	324,963	482,123
Stock-based compensation	5,934,302	311,471	-	853,953
General exploration	21,956,169	871,101	4,222,304	5,018,951
Depreciation on non-exploration assets	16,360	1,282	1,788	2,132
	35,156,405	2,284,014	5,005,542	7,229,480
Loss before the following	(35,156,405)	(2,284,014)	(5,005,542)	(7,229,480)
Write down of advances to related company	(75,506)	-	-	-
Gain on disposal of available-for-sale securities	47,988	-	-	-
Interest income	864,663	9,630	115,822	396,294
Gain on sale of exploration property	1,028,444	950,320	-	-
Foreign exchange (loss) gain	888,819	(1,020)	(205,565)	1,180,034
Net loss before income taxes	(32,401,997)	(1,325,084)	(5,095,285)	(5,653,152)
Income taxes	-	-	-	-
Net loss	(32,401,997)	(1,325,084)	(5,095,285)	(5,653,152)
Comprehensive income items:				
Recovery of (write down) of available-for-sale securities	(485,043)	(140,000)	51,810	29,470
Comprehensive loss	**$ (32,887,040)**	**$ (1,465,084)**	**$ (5,043,475)**	**$ (5,623,682)**
Net loss per common share				
Basic and Diluted		$ (0.02)	$ 0.06	$ (0.07)
Comprehensive loss per common share				
Basic and Diluted		$ (0.02)	$ 0.06	$ (0.07)

(expressed in United States Dollars)

21. Differences Between Canadian GAAP and US GAAP (continued)

Consolidated Statements of Changes in Shareholders' Equity:
The changes in common stock since the Company's inception as required by US GAAP are as follows:

	Shares	Amount Under US GAAP
Issued to former shareholders of SRI	8,154,614	$ 1,318,566
Held by other shareholders	488,041	467,467
Balance, June 26, 1996	8,642,655	1,786,033
Issued for exploration properties	1,400,000	667,204
Issued for services	200,000	126,465
Issued for cash on exercise of warrant	580,577	361,823
Issued for cash	500,000	329,936
Balance, January 31, 1997	11,323,232	3,271,461
Issued for exploration properties	200,000	134,250
Flow-through shares issued for cash	300,000	216,763
Issued for cash, less issue costs of $481,480	7,228,066	2,129,061
Issued for services	70,000	58,125
Balance, January 31, 1998	19,121,298	5,809,660
Share issue costs	-	(5,919)
Balance, January 31, 1999	19,121,298	5,803,741
Issued for cash, less issue costs of $4,092	951,494	61,578
Balance, January 31, 2000	20,072,792	5,865,319
Issued for cash, less issue costs of $54,246	3,043,667	377,614
Balance, January 31, 2001	23,116,459	6,242,933
Issued for cash on exercise of warrants	951,494	123,052
Cancellation of shares held in escrow	(4,836,615)	(1,279,287)
Balance, January 31, 2002	19,231,338	5,086,698
Issued for cash, less issue cost of $55,258	7,000,000	600,427
Issued for cash, on exercise of stock options	910,000	88,290
Issued in exchange for exploration properties	1,000,000	171,125
Balance, January 31, 2003	28,141,338	5,946,540
Issued for cash, less issue cost of $266,372	6,000,000	845,292
Warrants valuation	-	(151,276)
Balance, January 31, 2004	34,141,338	$ 6,640,556

(expressed in United States Dollars)

21. Differences Between Canadian GAAP and US GAAP (continued)

Consolidated Statements of Changes in Shareholders' Equity (continued):

	Shares	Amount Under US GAAP
Balance, January 31, 2004	34,141,338	$ 6,640,556
Issued for cash, less issue cost of $360,964	7,395,000	1,486,784
Issued to broker as compensation	349,680	91,117
Issued on warrant exercise	1,257,500	318,352
Warrant valuation	-	(428,918)
Warrant call	-	90,345
Balance, January 31, 2005	43,143,518	8,198,236
Issued for cash, less issue cost of $295,750	12,131,000	3,117,705
Issued to broker as compensation	127,000	35,553
Issued on warrant and compensation option exercise	2,221,060	692,984
Warrant call	-	255,491
Warrant valuation	-	(1,132,581)
Issued on stock option exercise	200,000	64,824
Stock option valuation	-	19,433
Balance, January 31, 2006	57,822,578	11,251,645
Private placement	100,000	119,325
Private placement for cash, less issue cost of $879,170	12,975,967	12,407,590
Warrant valuation	-	(2,847,058)
Issued on warrant exercise	6,126,730	2,639,865
Warrant call	-	740,133
Issued on stock option exercise	1,250,000	332,784
Stock option valuation	-	178,155
Balance, January 31, 2007	78,275,275	24,822,439
Shares issued on warrant exercised	4,289,550	1,868,342
Fair value of warrants exercised	-	661,130
Shares issued on stock option exercised	1,515,000	421,672
Balance, January 31, 2008	84,079,825	27,773,583
Shares issued on stock option exercised cancelled	(885,000)	(259,087)
Balance, January 31, 2009	83,194,825	27,514,496
Shares issued as compensation	750,000	45,000
Shares cancelled	(91,000)	(42,257)
Balance, January 31, 2010	**83,853,825**	**$ 27,517,239**

(expressed in United States Dollars)

21. Differences Between Canadian GAAP and US GAAP (continued)

Other changes in shareholders' equity are presented as follows:

	Warrants	Additional paid in capital	Cumulative adjustments to marketable securities	Deficit accumulated during the development stage
Balance, January 31, 2007	$ 3,546,935	$ 5,879,511	$ (374,510)	$ (20,342,065)
Warrant exercise, fair value	(661,130)	-	-	-
Warrant expiry, fair value	(70,806)	-	-	-
Stock options	-	853,953	-	-
Warrants expired, fair value	-	70,806	-	-
Net loss	-	-	-	(5,653,152)
Other comprehensive loss items	-	-	29,470	-
Balance, January 31, 2008	2,814,999	6,804,270	(345,040)	(25,995,217)
Warrant expiry, fair value	(2,814,999)	2,814,999	-	-
Net loss	-	-	-	(5,095,285)
Other comprehensive loss items	-	-	51,810	-
Balance, January 31, 2009	-	9,619,269	(293,230)	(31,090,502)
Stock options	-	311,471	-	-
Net loss	-	-	-	(1,325,084)
Other comprehensive loss items	-	-	(140,000)	-
Balance, January 31, 2010	**$ -**	**$ 9,930,740**	**$ (433,230)**	**$ (32,415,586)**

(expressed in United States Dollars)

21. Differences Between Canadian GAAP and US GAAP (continued)

Consolidated Statement of Cash Flows:

	Cumulative from Inception	2010	2009	2008
Operating activities				
Net loss	$ (32,401,997)	$ (1,325,084)	$ (5,095,285)	$ (5,653,152)
Depreciation	2,270,171	339,136	512,946	647,295
Stock option compensation	5,934,302	311,471	-	853,953
Expenses settled by the issue of common shares	229,610	45,000	-	-
Exploration expenditures settled by the issue of common shares	2,199,799	-	-	-
Consulting services provided as payment for stock options	117,678	-	-	117,678
Gain on disposal of available-for-sale securities	(47,988)	-	-	-
Gain on disposal of property	(950,320)	(950,320)	-	-
Write down of advances to related company	554,846	-	-	-
Decrease (increase) in other receivables and prepaids	(7,958)	22,106	67,381	44,382
Increase (decrease) in accounts payables	78,003	22,145	(85,183)	85,382
Increase (decrease) in accrued liabilities	223,377	88,947	54,734	(66,802)
	(21,800,477)	(1,446,599)	(4,545,407)	(3,971,264)
Financing activities				
Issue of common shares, net of issue costs	29,176,221	-	-	2,172,336
Asset retirement obligation	232,010	-	28,824	21,419
(Decrease) increase in advances to related company	(952,252)	(21,433)	57,745	(311,333)
Purchase of treasury stock	(42,257)	-	-	(42,257)
	28,413,722	(21,433)	86,569	1,840,165

(expressed in United States Dollars)

21. Differences Between Canadian GAAP and US GAAP (continued)

Consolidated Statement of Cash Flows (Continued):

	Cumulative from Inception	2010	2009	2008
Investing activities				
Increase in short-term investments	-	-	117,761	315,938
Proceeds on disposal of property	1,200,000	1,200,000	-	-
Purchase of equipment	(2,996,078)	(5,298)	(89,000)	(74,593)
Acquisition of mining properties	(2,124,582)	(527,818)	(835,790)	(292,867)
Mine development costs	(1,044,705)	(10,671)	(53,910)	(241,075)
Purchase of available-for-sale securities	(1,057,976)	-	-	-
Reclamation bond	(534,984)	(143,550)	(188,248)	(21,419)
Proceeds on disposal of available-for-sale securities	690,859	-	-	-
	(5,867,466)	512,663	(1,049,187)	(314,016)
Cash and cash equivalents				
Net increase (decrease)	745,779	(955,369)	(5,508,025)	(2,445,115)
Beginning of year	-	1,701,148	7,209,173	9,654,288
End of year	$ 745,779	$ 745,779	$ 1,701,148	$ 7,209,173

Recent US GAAP accounting pronouncements

- In December 2007, FASB issued SFAS 160, “Non-controlling Interests in Consolidated Financial Statements” (“SFAS 160”, Codified within ASC 810), which specifies that non-controlling interests are to be treated as a separate component of equity, not as a liability or other item outside of equity. As a result of non-controlling interests being an element of equity, increases and decreases in the parent's ownership interest that leave control intact are accounted for as capital transactions.

  The statement is effective for business combinations entered into on or after December 15, 2008, and is to be applied prospectively to all non-controlling interests, except for the presentation and disclosure requirements which require retrospective application. The adoption of SFAS 160 non-controlling interests as required at January 1, 2009 did not have a material effect on the Company’s results of operations or financial position.

- In December 2007, the FASB issued a revised standard on accounting for business combinations, SFAS 141R (Codified within ASC 805). The statement is effective for periods beginning on or after December 15, 2008. We did not enter into a business combination during the year ended December 31, 2009; therefore, the adoption of SFAS 141R on January 1, 2009 did not have a material effect on the Company’s results of operations or financial position.

21. Differences Between Canadian GAAP and US GAAP (continued)

Recent US GAAP accounting pronouncements (Continued)

- In June 2008, the FASB Task Force reached a consensus on EITF Issue No. 07-5, "Determining Whether an Instrument (or embedded Feature) is Indexed to an Entity's Own Stock" (Codified within ASC 815). The standard provides that an equity-linked financial instrument (or embedded feature) would not be considered indexed to the entity's own stock if the strike price is denominated in a currency other than the issuer's functional currency. The Issue is effective for periods beginning on or after December 15, 2008. The effect of adopting this EITF on January 1, 2009 did not have a material effect on the Company's results of operations or financial position.

- In May 2009, the FASB issued SFAS No. 165, Subsequent Events, ("SFAS 165", Codified within ASC 855). The statement is effective for financial statements ending after June 15, 2009. SFAS 165 establishes general standards of accounting for and disclosure of subsequent events that occur after the balance sheet date. The adoption of this standard on January 1, 2009 did not impact our consolidated financial statements.

- In June 2009, FASB issued SFAS 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162" ("SFAS 168", Codified within ASC 105). SFAS 168 identifies the source of authoritative U.S. GAAP recognized by the FASB to be applied by non-governmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. On the effective date of this statement, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this standard did not impact our consolidated financial statements.

- In August 2009, FASB amended SFAS 157 (Codified within ASC 820). The amendments address the impact of transfer restrictions on the fair value of a liability and the ability to use the fair value of a liability that is traded as an asset as an input to the valuation of the underlying liability. The amended standard also clarifies the application of certain valuation techniques. This standard is effective for interim and annual periods beginning after August 26, 2009. The Company is currently assessing the potential impact, if any, on its consolidated financial statements.

22. Comparative Figures

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