KLONDIKE SILVER CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2009 AND 2008
(Expressed in Canadian Dollars)

MORGAN & COMPANY
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Klondike Silver Corp.

We have audited the consolidated balance sheets of Klondike Silver Corp. as at May 31, 2009 and 2008 and the consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for the years then ended. 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. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada — "Morgan & Company"

September 24, 2009 — Chartered Accountants

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KLONDIKE SILVER CORP.

CONSOLIDATED BALANCE SHEETS

	MAY 31 2009		2008
ASSETS			
Current			
Cash and cash equivalents	**$**	**181,474**	$ 484,184
Accounts receivable		**104,983**	261,626
Prepaid expenses (Note 10)		**102,074**	51,579
		388,531	797,389
Due From Related Parties (Note 10)		**40,342**	163,610
Reclamation Bonds (Note 3)		**108,500**	100,000
Mill And Equipment (Note 4)		**822,468**	982,483
Mineral Properties (Note 5 and Schedule)		**11,572,126**	10,519,430
	$	**12,931,967**	$ 12,562,912
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$**	**71,189**	$ 261,844
Due to related parties (Note 10)		**374,692**	178,554
		445,881	440,398
Future Income Taxes (Note 11)		**151,000**	544,000
Asset Retirement Obligations (Note 6)		**49,825**	45,399
		646,706	1,029,797
SHAREHOLDERS' EQUITY			
Share Capital (Note 7)		**18,210,675**	14,259,623
Share Subscriptions		**6,000**	173,000
Contributed Surplus		**1,717,268**	1,462,448
Deficit		**(7,648,682)**	(4,361,956)
		12,285,261	11,533,115
	$	**12,931,967**	$ 12,562,912

Approved on behalf of the Board of Directors:

"Richard Hughes"	"Alan Campbell"
Director	Director

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

KLONDIKE SILVER CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	YEARS ENDED MAY 31	
	2009	2008
Expenses		
Accretion and amortization	**$ 14,676**	$ 10,910
Consulting fees (Note 10)	**247,176**	219,950
Fuel	**22,153**	72,610
Investor relations, travel and promotion	**272,436**	303,271
Labour and benefits	**189,880**	149,752
Office administration (Note 10)	**705,000**	462,500
Office expenses	**122,769**	65,700
Professional fees	**78,603**	64,715
Regulatory and stock transfer fees	**106,038**	93,978
Stock based compensation	**188,579**	491,400
Part XII.6 tax expense (recovery)	**(7,027)**	117,890
Supplies and maintenance	**30,237**	65,499
Utilities and communication	**8,139**	24,290
Loss Before Other Income (Expenses)	**(1,978,659)**	(2,142,465)
Other Income (Expenses)		
Mineral properties written off	**(2,875,136)**	(1,202,219)
Mineral property recoveries	**60,709**	-
Interest earned	**17,137**	42,847
Foreign exchange gain (loss)	**20,223**	(32,025)
	(2,777,067)	(1,191,397)
Loss Before Income Taxes	**(4,755,726)**	(3,333,862)
Future Income Tax Recovery	**1,469,000**	1,170,000
Net Loss and Comprehensive Loss for the Year	**(3,286,726)**	(2,163,862)
Loss Per Share – Basic and diluted	**$ (0.04)**	$ (0.04)
Weighted Average Number of Shares Outstanding, Basic and diluted	**91,525,896**	59,614,700

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

KLONDIKE SILVER CORP.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED MAY 31, 2009 AND 2008

	SHARE CAPITAL		SHARE	CONTRIBUTED		
	NUMBER	AMOUNT	SUBSCRIPTIONS	SURPLUS	DEFICIT	TOTAL
Balance, May 31, 2007	47,261,727	7,938,894	$ -	$ 972,763	$ (2,198,094)	$ 6,713,563
Issue of shares for mineral properties	1,100,000	420,250	-	-	-	420,250
Issue of shares for cash, private placements						
Flow-through shares	6,890,833	2,451,500	-	-	-	2,451,500
Non flow-through shares	9,380,801	3,090,490	-	-	-	3,090,490
Share issuance costs	-	(222,860)	-	-	-	(222,860)
Warrants exercised for cash	7,111,793	1,362,734	-	-	-	1,362,734
Stock options exercised for cash	109,500	21,900	-	-	-	21,900
Contributed surplus	-	1,715	-	(1,715)	-	-
Stock based compensation	-	-	-	491,400	-	491,400
Tax benefits renounced on flow-through shares	-	(805,000)	-	-	-	(805,000)
Share subscriptions received	-	-	173,000	-	-	173,000
Net loss and comprehensive loss for the year	-	-	-	-	(2,163,862)	(2,163,862)
Balance, May 31, 2008	71,854,654	14,259,623	173,000	1,462,448	(4,361,956)	11,533,115
Issue of shares for mineral properties	2,952,500	457,100	-	-	-	457,100
Issue of shares for cash, private placements						
Flow-through shares	27,709,332	4,092,260	-	-	-	4,092,260
Non flow-through shares	10,195,500	979,580	(173,000)	-	-	806,580
Share subscriptions receivable (Note 7)	-	(159,960)	-	-	-	(159,960)
Share issuance costs	-	(275,677)	-	-	-	(275,677)
Share issue cost – re-priced warrants	-	(66,241)	-	66,241	-	-
Stock based compensation	-	-	-	188,579	-	188,579
Share subscriptions received	-	-	6,000	-	-	6,000
Tax benefits renounced on flow-through shares	-	(1,076,010)	-	-	-	(1,076,010)
Net loss and comprehensive loss for the year	-	-	-	-	(3,286,726)	(3,286,726)
Balance, May 31, 2009	**112,711,986**	**$ 18,210,675**	**$ 6,000**	**$ 1,717,268**	**$ (7,648,682)**	**$ 12,285,261**

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

KLONDIKE SILVER CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED MAY 31	
	2009	2008
Cash Flows Provided By (Used In):		
Operating Activities		
Net loss for the year	**$ (3,286,726)**	$ (2,163,862)
Non-cash items:		
Accretion and amortization	**14,676**	10,910
Stock based compensation	**188,579**	491,400
Write-off of mineral property expenditures	**2,875,136**	1,202,219
Future income taxes	**(1,469,000)**	(1,170,000)
	(1,677,335)	(1,629,333)
Changes in non-cash operating assets and liabilities:		
Accounts receivable	**156,643**	(157,190)
Prepaid expenses	**(50,495)**	(49,079)
Accounts payable and accrued liabilities	**(101,491)**	8,330
Due to related parties	**(1,795)**	19,232
	(1,674,473)	(1,808,040)
Investing Activities		
Equipment purchases	**(15,205)**	(318,657)
Mineral property acquisition and exploration expenditures	**(3,196,993)**	(6,750,259)
Reclamation bonds	**(8,500)**	-
Due from related parties	**123,268**	(163,610)
	(3,097,430)	(7,232,526)
Financing Activities		
Shares issued	**4,738,880**	6,926,624
Share issue costs	**(275,677)**	(222,860)
Share subscriptions received	**6,000**	173,000
	4,469,203	6,876,764
Net Decrease In Cash And Cash Equivalents	**(302,710)**	(2,163,802)
Cash And Cash Equivalents, Beginning of Year	**484,184**	2,647,986
Cash And Cash Equivalents, End Of Year	**$ 181,474**	$ 484,184

Supplemental Cash Flow Information (Note 12)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated on March 2, 2005 pursuant to the Business Corporations Act (British Columbia). The Company is a public company listed on the TSX Venture Exchange (the “TSX.V”), trading under the “KS” symbol. The Company is in the business of exploring mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable.

The amounts shown as mineral properties represent costs of acquisition net of recoveries to date, less amounts written off. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

The Company incurred a net loss of $3,286,726 for the year ended May 31, 2009 (2008 - $2,163,862) and had a working capital deficiency at May 31, 2009 of $57,350 and a deficit of $7,648,682 (2008 - $4,361,956). As at May 31, 2009 the Company did not have sufficient cash to meet minimum general and administration expenses for the year ending May 31, 2010. The operations of the Company have primarily been funded by the issuance of common shares. Continued operations of the Company are dependent on the Company's ability to complete equity financing and the continuing financial support of shareholders in order to continue exploration of its mineral property interests. Management's plan in this regard is to secure additional funds through future equity financings, which may not be available or may not be available on reasonable terms.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the Company is expending its best efforts in this regard, the outcome of these matters cannot be predicted at this time. Accordingly, these financial statements 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, contingent obligations and commitments in other than the normal course of business and at amounts different from those in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Slocan Silver S.A. de C.V. in Mexico which was incorporated in Mexico as of April 2008, to manage Alaska North, Alaska South, Mina Grande, San Dimas, and San Luis properties in Mexico.

b) Variable Interest Entities

Variable Interest Entities are required to be consolidated by the primary beneficiary. The Company has determined that it has no Variable Interest Entities.

c) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, mineral property carrying values, flow-through obligations to investors, and determination of fair values for stock based compensation, re-priced warrants, and future income taxes. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from these estimates.

d) Measurement Uncertainty

Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated gold, silver and metal prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Financial Instruments

CICA Handbook Section 3861, “Financial Instrument – Disclosure and Presentation”, has been replaced by CICA Handbook Section 3862, “Financial Instruments – Disclosure” and Section 3863 – “Financial Instruments – Presentation”. These standards require entities to disclose quantitative and qualitative information that enables users to evaluate the significance of financial instruments for the Company’s financial performance, and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date. In addition, the Company is required to disclose management’s objectives, policies and procedures for managing these risks.

The Company classifies its financial assets as either held-for-trading, available-for-sale, held-to-maturity, or loans and receivables. Financial liabilities are classified as either held-for-trading, or other.

Held-for-trading financial assets and liabilities are recorded at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimate future cash flows and discount rates. In determining these assumptions, the Company uses readily observable market inputs where available, or where not available, inputs generated by the Company. Changes in fair value of held-for-trading financial instruments recorded in operations.

Available-for-sale financial assets are recorded at fair value as determined by active market prices. Unrealized gains and losses on available-for-sale investments are recognized in other comprehensive income. If a decline in fair value is deemed to be other than temporary, the unrealized loss is recognized in operations. Investment in equity instruments that do not have an active quoted market price are measured at cost.

Receivables are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

The fair values of the Company’s available-for-sale financial assets and liabilities, such as investments, approximate their carrying values as the investment are carried at fair values with gains and losses of a temporary nature recorded in other comprehensive loss.

The Company’s held-to-maturity reclamation deposits are carried at cost and bear fixed interest rates. The fair values of these deposits approximate their carrying values.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Comprehensive Income

Handbook Section 1530 establishes standards for the reporting and display of comprehensive income and its components in the consolidated financial statements. Comprehensive income includes net earnings and other comprehensive income. Other comprehensive income includes holding gains on available for sale investments, gains and losses on certain derivative instruments and currency gains and losses relating to the translating financial statements of self-sustaining foreign operations. As there were no other comprehensive income items, comprehensive income for the period was equal to the net income for the period.

g) Foreign currency translation

Currency transactions and balances are translated into the Canadian dollar reporting currency using the temporal method as follows:

i) Monetary items are translated at the rates prevailing at the balance sheet date;
ii) Non-monetary items are translated at historical rates;
iii) Revenues and expenses are translated at the average rates in effect during applicable accounting periods, except amortization, which is translated at historical rates;
iv) Gains and losses on foreign currency translation are reflected in the consolidated statements of operations and comprehensive loss.

h) Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change and have maturities of three months or less from the date of acquisition, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes.

i) Mill and Equipment

The mill comprises a used ore processing plant, used buildings and related equipment stated at cost. On commencement of commercial production, costs including improvements will be depreciated over the estimated useful life of the mill on the unit-of production method, based upon estimated productive capacity. Amortization on equipment is provided on the straight line method over estimated useful lives ranging from three to five years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Mineral Properties

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are deferred and capitalized until such time as the property is put into production or the properties are disposed of either through sale or abandonment. If put into production, the deferred costs will be amortized over the life of the property, based on estimated economic reserves. Proceeds received from the sale of any interest in a property will first be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and capitalized exploration costs are written off.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

k) Impairment of Long-lived Assets

Long-lived assets include mineral properties. The Company periodically evaluates the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows resulting from the use of an asset and its eventual disposition is less than its carrying amount.

A mining enterprise in the exploration stage is not obliged to conclude that capitalized costs have been impaired due to the absence of a projected estimated future net cash flow from the mining enterprise. Mineral properties in the exploration stage do not have established mineral reserves and a basis for the preparation of a projection of the estimated future net cash flow from the properties does not exist. However, a mining enterprise is required to consider the conditions for impairment write-down. The conditions include unfavourable exploration results and significant unfavourable economic, legal, regulatory, environmental, political and other factors. In addition, management's development activities towards its planned principal operations are a key factor considered as part of the ongoing assessment of the recoverability of the carrying amount of mineral properties. Whenever events or changes in circumstances indicate that the carrying amount of a mineral property in the exploration stage may be impaired, the capitalized costs are written down to the estimated recoverable amount.

l) Asset Retirement Obligations

The Company applies CICA accounting standard 3110 – "Asset Retirement Obligations" to account for the obligations to reclaim and remediate the mineral properties. Under the standard, the estimated fair value of the legal obligations are recognized in the period incurred, at the net present value of the cash flows required to settle the future obligations. A corresponding amount is capitalized to the related asset. Asset retirement obligations are subject to accretion over time for increases in the fair value of the liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Asset Retirement Obligations (Continued)

The Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period estimates are revised.

m) Share Capital

i) Share consideration - Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-cash transactions, other than as consideration for mineral properties, are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration for mineral properties is based upon the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method.

ii) Flow-through shares - Resource expenditure deductions for Canadian income tax purposes related to Canadian exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The Company follows the accounting prescribed by the CICA Emerging Issues Committee ("EIC") in EIC-146 "Flow-through Shares". On the date the expenditures are renounced, a future income tax liability and a corresponding reduction in the share capital is recorded. The future income tax liability is offset by available future income tax assets as a recovery of future income taxes.

iii) Stock based compensation - The Company measures the cost of the service received for all stock options made to consultants, employees and directors based on an estimate of fair value at the date of grant. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Stock options which vest immediately are recorded at the date of grant. Stock options that vest over time are recorded over the vesting period using the straight line method. Stock options issued to outside consultants that vest over time are valued at the grant date and subsequently re-valued on each vesting date as services are rendered. Stock based compensation is recognized as expense or, if applicable, capitalized to mineral property costs with a corresponding increase in contributed surplus. On exercise of the stock option, consideration received and the estimated fair value previously recorded in contributed surplus is recorded as share capital.

iv) Share issuance costs - Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Income Taxes

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. The future income tax liabilities or assets are measured using tax rates and laws expected to apply in the periods that the temporary differences are expected to reverse. Valuation allowances are provided where (net) future income tax assets are not more likely than not to be realized.

o) Loss Per Share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares issued and outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Basic and diluted loss per share is equal as outstanding stock options and warrants were all anti-dilutive.

p) Accounting Policy Changes

Effective June 1, 2008, the Company adopted the following new CICA Handbook Sections on a prospective basis with no restatement to prior period financial statements:

i) Section 1535, Capital Disclosures, (Note 8) requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing capital. Under this standard, the Company will be required to disclose the following:

- qualitative information about its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirement to which it is subject; and
- when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

ii) Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation consist of a comprehensive series of disclosure requirements and presentation rules applicable to financial instruments. Section 3862 revises and enhances the disclosure requirements for financial instruments and Section 3863 carries forward unchanged the presentation requirements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Accounting Policy Changes (Continued)

Section 3862 requires the Company to provide disclosures in its financial statements that enable users to evaluate:

- the significance of financial instruments for the Company's financial position and performance,
- the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and
- how the Company manages those risks.

iii) The CICA approved amendments to CICA Handbook Section 1400 "General Standards of Financial Statement Presentation". These amendments require management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The new requirements of the standard are applicable for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

q) Future Accounting Pronouncements Not Yet Adopted

i) The CICA issued Section 3064 – *Goodwill and Intangible Assets* replacing Section 3450, *Research and Development Costs*. The new standard, which the Company will adopt effective April 1, 2009, establishes guidelines for the recognition, measurement, presentation and disclosure of research and development costs. Management has determined that the adoption of this standard will have no impact upon its consolidated financial statements.

ii) In January 2009, the CICA issued Handbook Section 1601, *Consolidated Financial Statements*, and Handbook Section 1602, *Non-Controlling Interests*, which together replace Handbook Section 1600, *Consolidated Financial Statements*. These two sections are equivalent to the corresponding provisions of International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). Handbook Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statement. The new sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new sections also require non-controlling interests to be presented as a separate component of shareholders' equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Future Accounting Pronouncements Not Yet Adopted (Continued)

Under Handbook Section 1602, non-controlling interest income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interest based on relative ownership interests. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, and should be adopted concurrently with Section 1582. The Company is currently assessing the future impact of these new sections on its consolidated financial statements.

iii) In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, and provides the equivalent to International Financial Reporting Standards ("IFRS") 3R, Business Combinations (January 2008). The new section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date.

The measurement of equity consideration given in a business combination will no longer be based on the average of the fair value of the shares a few days before and after the day the terms and conditions have been agreed to and the acquisition announced, but rather at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting. Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities.

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. Earlier adoption is permitted. This new section will only have an impact on our consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption.

iv) Canada's Accounting Standards Board ratified a plan that will result in Canadian GAAP being converged with International Financial Reporting Standards ("IFRS") by 2011. Management has performed a preliminary analysis and highlighted areas where its current Canadian accounting practices differ from IFRS however, the impact on the Company's consolidated financial statements has not yet been determined.

r) Comparative figures

Certain comparative figures have been reclassified in order to conform to the current year's financial statement presentation.

3. RECLAMATION BONDS

The reclamation bonds are recorded at fair value and consists of deposits made by the Company for indemnification of site restoration costs for the Silvana Mine and Sandon Mill. Reclamation bonds in the amount of $100,000 were held in trust for the Company by a company controlled by a common director.

4. MILL AND EQUIPMENT

	2009		
	COST	**ACCUMULATED AMORTIZATION**	**NET BOOK VALUE**
Mill	**$ 277,361**	**$ -**	**$ 277,361**
Equipment and land	**1,057,023**	**511,916**	**545,107**
	$ 1,334,384	**$ 511,916**	**$ 822,468**

	2008		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Mill	$ 277,361	$ -	$ 277,361
Equipment	1,041,818	336,696	705,122
	$ 1,319,179	$ 336,696	$ 982,483

No amortization has been taken on the Mill to date because it is not yet in production. Amortization on exploration use of equipment in the amount of $368,908 (2008 - $203,939) has been capitalized in mineral properties.

5. MINERAL PROPERTIES

	2009		
	ACQUISITION COSTS AND OPTION PAYMENTS	**DEFERRED EXPLORATION COSTS AND ADVANCES**	**TOTAL**
Canadian Properties			
British Columbia (a)	**$ 689,573**	**$ 4,932,713**	**$ 5,622,286**
Ontario (b) - (j) & (v)	**874,382**	**3,082,198**	**3,956,580**
Yukon (k) - (n)	**393,000**	**1,531,580**	**1,924,580**
Mexican Properties			
Mexico (o) – (u)	**53,347**	**15,333**	**68,680**
	$ 2,010,302	**$ 9,561,824**	**$ 11,572,126**

5. MINERAL PROPERTIES (Continued)

	2008		
	ACQUISITION COSTS AND OPTION PAYMENTS	DEFERRED EXPLORATION COSTS AND ADVANCES	TOTAL
Canadian Properties			
British Columbia (a)	$ 687,998	$ 2,957,067	$ 3,645,065
Ontario (b) - (j)	715,032	2,837,346	3,552,378
Yukon (k) - (n)	357,500	1,137,880	1,495,380
Mexican Properties			
Mexico (o) – (u)	743,525	1,083,082	1,826,607
	$ 2,504,055	$ 8,015,375	$ 10,519,430

See the accompanying Schedules of Mineral Property Costs for nature of expenditure disclosure.

a) Slocan Group, British Columbia

The Slocan Group covers an area of approximately 100 square kilometers. The claims include legacy claims, crown-granted claims and recently acquired or converted mineral claims. Not all claims are contiguous. One claim group is located approximately 7 km northeast of the Sandon Mill and another claim group is 7 km to the southeast.

b) Haultain Property, Ontario

On May 5, 2006, and as amended on May 13, 2007, the Company entered into a property option agreement to earn a 100% interest in a mineral property located in the Haultain Mining Division in Ontario. The agreement provides for a 2% net smelter royalty ("NSR") of which have may be purchased for $1,000,000. In order to earn its 100% interest, the Company must:

i) Pay $30,000 (paid) and issue 75,000 shares (issued) upon regulatory approval.

ii) On or before June 5, 2007, pay $20,000 (paid), and issue 75,000 shares (issued).

iii) On or before June 5, 2008, pay $20,000 (paid), and issue 75,000 shares (issued).

iv) On or before June 5, 2009, pay $20,000 (paid), and issue 75,000 shares (issued).

v) On or before June 5, 2010, pay $20,000, and issue 75,000 shares.

5. MINERAL PROPERTIES (Continued)

c) Wigwam – Silverdollar Property, Ontario

On February 5, 2007, and as amended on May 13, 2009, the Company entered into a property option agreement to earn a 100% interest in a mineral property located in Haultain, Chown, and Lawson Townships, Ontario. There is a 2% NSR payable, of which half may be purchased for $1,000,000. In order to earn its 100% interest, the Company must:

i) Pay $15,000 (paid) and issue 50,000 shares (issued) upon regulatory approval.

ii) On or before April 12, 2008, pay $15,000 (paid), and issue 50,000 shares (issued).

iii) On or before May 30, 2009, pay $8,000 (paid), and issue 50,000 shares (issued).

iv) On or before April 12, 2010, pay $12,000, and issue 50,000 shares.

d) Milner Silver Property, Ontario

On February 5, 2007, and as amended May 13, 2009, the Company entered into a property option agreement to earn a 100% interest in a mineral property located in Milner Township, Ontario. There is a 2% NSR payable, of which half may be purchased for $1,000,000. In order to earn its 100% interest, the Company must:

i) Pay $10,000 (paid) and issue 50,000 shares (issued) upon regulatory approval.

ii) On or before February 22, 1008, pay $10,000 (paid), and issue 50,000 shares (issued).

iii) On or before May 30, 2009, pay $7,000 (paid), and issue 50,000 shares (issued).

iv) On or before February 22, 2010, pay $7,000, and issue 50,000 shares.

e) Maralgo Property, Ontario

On June 15, 2007, and as amended on May 13, 2009, the Company entered into a property option agreement to earn a 100% interest in a mineral property, located in Milner Township, Ontario. There is a 2% NSR payable, of which half may be purchased for $1,000,000. In order to earn its 100% interest, the Company must:

i) Pay $20,000 (paid) and issue 75,000 shares (issued) upon regulatory approval.

ii) On or before July 6, 2008, pay $10,000 (paid) and issue 75,000 shares (issued).

iii) On or before July 6, 2009, pay $7,000 (paid) and issue 75,000 shares (issued).

iv) On or before July 6, 2010, pay $7,000.

5. MINERAL PROPERTIES (Continued)

f) South Bay, Ontario

On July 27, 2007, and as amended December 16, 2008, the Company entered into a property option agreement to earn a 100% interest in a mineral property, located in Milner Township, Ontario. There is a 2% NSR payable, of which half may be purchased for $1,000,000. In order to earn its 100% interest, the Company must incur a minimum of $2,400 in exploration each year and:

i) Pay $10,000 (paid) and issue 50,000 shares (issued) upon regulatory approval.

ii) On or before January 15, 2009, pay $7,500 (paid) and issue 25,000 shares (issued).

iii) On or before September 26, 2009, pay $12,500 ($3,000 paid) and issue 25,000 shares.

iv) On or before September 26, 2010, pay $17,500.

g) Walsh Silver Property, Ontario

On July 27, 2007, and as amended December 16, 2008, the Company entered into a property option agreement to earn a 100% interest in a mineral property, located in Nicol Township, Ontario. There is a 2% NSR payable, of which half may be purchased for $1,000,000. In order to earn its 100% interest, the Company must incur a minimum $2,400 in exploration each year and:

i) Pay $10,000 (paid) and issue 50,000 shares (issued) upon regulatory approval.

ii) On or before January 15, 2009, pay $7,500 (paid) and issue 25,000 shares (issued).

iii) On or before September 26, 2009, pay $12,500 ($3,750 paid) and issue 25,000 shares.

iv) On or before September 26, 2010, pay $17,500.

h) Anvil Silver Property, Ontario

On September 16, 2007, and as amended December 16, 2008, the Company entered into a property option agreement to earn a 100% interest in a mineral property, located in Van Nostrand Township, Ontario. There is a 2% NSR payable, of which half may be purchased for $1,000,000. In order to earn its 100% interest, the Company must:

i) Pay $20,000 (paid) and issue 75,000 shares (issued) upon regulatory approval.

ii) On or before January 15, 2009, pay $10,000 (paid) and issue 75,000 shares issued).

iii) On or before September 26, 2009, pay $10,000 and issue 75,000 shares.

5. MINERAL PROPERTIES (Continued)

h) Anvil Silver Property, Ontario (Continued)

iv) On or before September 26, 2010, pay $10,000 and issue 75,000 shares.

i) Cleaver Property, Ontario

On September 16, 2007, and as amended October 31, 2008, the Company entered into a property option agreement to earn a 100% interest in a mineral property, located in Cleaver and McNeil Townships, Ontario. There is a 2% NSR payable, of which half may be purchased for $1,000,000. In order to earn its 100% interest, the Company must:

i) Pay $75,000 (paid) and issue 50,000 shares (issued) upon regulatory approval.

ii) On or before November 1, 2008, pay $17,500 (paid) and issue 50,000 shares (issued).

iii) On or before November 1, 2009, pay $7,500 and issue 50,000 shares.

iv) On or before November 1, 2010, pay $12,500 and issue 50,000 shares.

v) On or before November 1, 2011, pay $12,500 and issue 50,000 shares.

j) Reeves Lake Property, Ontario

On September 21, 2007, and as amended December 5, 2008, the Company entered into a property option agreement to earn a 100% interest in a mineral property, located in Milner Township, Ontario. There is a 2% NSR payable, of which 1% can be purchased for $500,000 and the balance of 1% can be purchased for a further $500,000. In order to earn its 100% interest, the Company must:

i) Pay $10,000 (paid) upon regulatory approval.

ii) On or before December 31, 2008, pay $7,500 in cash (paid) or an equivalent value in shares.

iii) On or before November 1, 2009, pay $12,500 in cash or an equivalent value in shares.

k) Idaho Creek Property, Yukon

On May 23, 2006 the Company entered into a property option agreement to earn a 50% interest in a mineral property located in the Whitehorse Mining District in Yukon Territory. In order to earn its 50% interest, the Company must:

i) Issue 100,000 shares (issued) upon regulatory approval.

ii) On or before December 31, 2006 issue 100,000 shares (issued).

5. MINERAL PROPERTIES (Continued)

k) Idaho Creek Property, Yukon (Continued)

iii) On or before May 31, 2007 issue 100,000 shares (issued) and incur $500,000 in exploration expenditures (incurred).

In November 2007, this property was abandoned and written off due to poor results.

l) Connaught Property, Yukon

On May 31, 2006 the Company entered into a property option agreement to earn a 50% interest in a mineral property located in the Dawson Mining District in Yukon Territory. The Company has earned its 50% interest.

m) Stump Property, Yukon

On May 28, 2006, the Company entered into a property option agreement to earn a 100% interest in a mineral property located in the Watson Lake Mining District in Yukon Territory. There is a NSR that could range from 2 to 5% depending upon the amount of processing the ores receive prior to smelting. As of May 31, 2008 the Company had earned its 100% interest in the Stump Property for a total consideration of 300,000 shares.

n) Nordling Property, Yukon Territory

On November 26, 2007 the Company entered into a property option agreement to earn a 50% interest in a mineral property, located in Yukon Territory. In order to earn its 50% interest, the Company must:

i) Pay $8,500 (paid) and issue 25,000 shares (issued) upon regulatory approval.

ii) 12 months from regulatory approval, pay $7,500 (paid) and issue 37,500 shares (issued).

iii) 24 months from regulatory approval, pay $12,500 and issue 50,000 shares.

iv) 36 months from regulatory approval, pay $25,000 and issue 125,000 shares.

Any production from the Nordling Property is subject to a NSR of between 2% and 5%, depending upon how the ores are handled. A total of ½ of the 2% NSR can be purchased at any time for $1,000,000.

5. MINERAL PROPERTIES (Continued)

o) Santa Lucia Property, Mexico

On June 6, 2006, the Company entered into a property option agreement with Kootenay Gold Inc. ("Kootenay"), a company related by a common director, to earn a 50% interest in a mineral property located in the southern Sonora State. In order to earn its 50% interest, the Company must:

i) Upon TSX approval, issue 200,000 shares (issued);

ii) On or before June 6, 2007, issue 100,000 shares (issued) and incur $200,000 in exploration expenditures;

iii) On or before June 6, 2008, issue 200,000 shares (issued) and incur an aggregate of $500,000 in exploration expenditures; and

iv) On or before June 6, 2009, incur an aggregate of $1,000,000 in exploration expenditures.

This property was terminated in February 2009, due to poor results.

p) Starling Anomalies, Mexico

On June 21, 2006, the Company entered into a letter agreement (Phase I) with Kootenay, a company related by a common director, to acquire by staking certain properties in Mexico by paying US$250,000 (paid). Upon completion of the staking the Company has the right to enter into agreements with Kootenay to earn up to a 50% interest in three of the staked mineral properties of approximately 10,000 hectares each. In order to earn its 50% interest in each of the properties, the Company must:

i) Issue 500,000 shares upon regulatory approval (received) in three tranches over two years.

ii) Incur US$1,000,000 in exploration expenditures within three years.

The Company also had the right to elect to participate in a further staking program and option additional claims.

On June 18, 2007, the Company entered into a subsequent letter agreement (Phase II) with Kootenay, to confirm the Company elected to participate in optioning further properties under the identical option as the June 21, 2006 agreement by advancing an additional US$250,000 in increments of US$50,000. The Company subsequently advanced $35,000 in regards to the Espiritu property.

The Company also agreed in the subsequent letter agreement to extend the selection of the three Phase I properties to November 15, 2007 and in return to fund continued evaluation of the Phase I targets, not to exceed US$125,000, which funds would be applied to first year option payments.

5. MINERAL PROPERTIES (Continued)

p) Starling Anomalies, Mexico (Continued)

On March 28, 2008, the Company selected its six properties, as follows:

- Cerro Colorado
- Espiritu
- Los Alamos
- Los Chinos (El Cuervo)
- Ofelia
- Suzanne

Payment was as outlined in Phase I (US$100,000 per property, 500,000 shares over three years and exploration expenditures of US$1,000,000 over three years). Regulatory approval for the six optioned properties was received on August 18, 2008. The Company issued 300,000 shares on each of the six properties.

All of these properties, except Espiritu, were terminated in February 2009, due to poor results. Subsequent to May 31, 2009, 50,000 shares were issued with respect to the Espiritu property.

q) Alaska North Property, Mexico

On March 31, 2008 the Company entered into a property option agreement to earn a 100% interest in a mineral property, located in Mexico. There is a 3% NSR payable, of which up to 2% may be purchased for US$2,000,000 (US$500,000 per 0.5% in increments). In order to earn its 100% interest, the Company must pay $420,000 and issue 300,000 shares over a 60 month period. A total of US $7,500 was paid and 50,000 shares were issued upon receipt of regulatory approval. This property was terminated in March 2009, due to poor results.

r) Alaska South Property, Mexico

On March 31, 2008 the Company entered into a property option agreement to earn a 100% interest in a mineral property, located in Mexico. A total of US $7,500 was paid and 50,000 shares were issued upon receipt of regulatory approval. This property was terminated in March 2009, due to poor results.

s) San Luis Property, Mexico

In August 8, 2008, the Company entered into a property option agreement to earn a 100% interest in the San Luis property which consists of a total of 143.0309 hectares in Mocorito, Sinaloa State, Mexico. A total of US$150,000, and 250,000 shares were issued upon receipt of regulatory approval. This property was terminated in March 2009, due to poor results.

5. MINERAL PROPERTIES (Continued)

t) San Dimas Property, Mexico

On August 8, 2008, the Company entered into a property option agreement to earn a 100% interest in a mineral property, located in Mexico. In order to earn its 100% interest, the Company must pay $1,000,000 and issue 750,000 shares over a 48 month period. A total of US $30,000 was paid to the optionor. This property was terminated in March 2009, due to poor results.

u) Mina Grande Property, Mexico

On August 12, 2008 the Company entered into a property option agreement to earn a 100% interest in a mineral property, located in Mexico. A total of US $33,500 was paid to the optionor. This property was terminated in March 2009, due to poor results.

v) Clagor Property, Ontario

In July 9 2008, the Company entered into a property option agreement to earn a 100% interest in the Clagor mineral property located in Ontario. There is a 2% NSR payable, of which half may be purchased for $1,000,000. In order to earn its 100% interest, the Company must:

a) Pay $10,000 (paid) and issue 40,000 shares (issued) upon regulatory approval.

b) 12 months from regulatory approval, pay $10,000 and issue 40,000 shares.

6. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are related to the eventual retirement of the Silvana Mine and the Sandon Mill.

The Company estimates the net present value of its recognized asset retirement obligations to be $49,825 as at May 31, 2009, based on a total future liability of $85,000. Payments are expected to be made in the event of the abandonment of the property or during mining activity. Since no abandonment plans are being considered and the Mill is not currently producing, the Company has assumed the payments will be made in 2015. The Company used a credit adjusted risk free rate of nine and three quarter's percent to calculate the net present value of the asset retirement obligation.

Balance, May 31, 2007	$	41,366
Accretion expense		4,033
Balance, May 31, 2008		45,399
Accretion expense		4,426
Balance, May 31, 2009	**$**	**49,825**

6. ASSET RETIREMENT OBLIGATIONS (Continued)

The Company may be contingently liable for other asset retirement obligations. However, such obligations are not recognized since the fair value cannot be reasonably estimated due to the uncertainty of the extent of reclamation and remediation work and the settlement dates.

7. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value

b) Issued

Year ended May 31, 2009:

i) On May 22, 2009, the Company closed the first tranche of the private placement arranged on April 21, 2009 for 6,279,332 flow-through and 2,668,000 non flow-through units priced at $0.06 for gross proceeds of $536,840. Each of the units consisted of either one flow-through or non flow-through common share and one non flow-through non-transferable share purchase warrant entitling the holder to purchase one additional share for a period of two years at a price of $0.10. The Company received $376,880 by May 31, 2009. Subscriptions receivable with respect to this private placement totaled $159,960 was and were received in June 2009.

ii) On April 27, 2009, the Company closed the private placement arranged on March 19, 2009 for 4,075,000 flow-through and 4,900,000 non flow-through units priced at $0.06 for gross proceeds of $538,500. Each of the units consisted of either one flow-through or non flow-through common share and one non flow-through non-transferable share purchase warrant entitling the holder to purchase one additional share for a period of two years at a price of $0.10.

iii) On October 10, 2008, August 28, 2008 and July 23, 2008 the Company closed three separate tranches of a private placement totaling 13,555,000 flow-through and 312,500 non flow-through units priced at $0.20 for gross proceeds of $2,773,500. Each of the units consisted of either one flow-through or non flow-through common share and one non flow-through non-transferable share purchase warrant entitling the holder to purchase one additional share for a period of two years at a price of $0.20 per share in the first year and at a price of $0.25 per share in the second year.

7. SHARE CAPITAL (Continued)

b) Issued: (Continued)

Year ended May 31, 2009: (Continued)

iv) On July 10, 2008, the Company closed a private placement of 3,800,000 flow-through and 2,315,000 non flow-through units priced at $0.20 for gross proceeds of $1,223,000. Each of the units consisted of either one flow-through or non flow-through common share and one non flow-through non-transferable share purchase warrant entitling the holder to purchase one additional share for a period of two years at a price of $0.40 per share in the first year and at a price of $0.50 per share in the second year.

v) The Company incurred $275,677 share issuance costs pursuant to the private placements closed in the year.

Year ended May 31, 2008:

i) In December 2007, the Company closed private placement of 8,688,301 units priced at $0.45 for flow-through and $0.30 for non flow-through units for gross proceeds of $2,916,990. 2,070,000 units consisted of one flow-through common share and one share purchase warrant and 6,618,301 units consisted of one non flow-through common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional share for a period of two years at a price of $0.40 per share in the first year and at a price of $0.50 per share in the second year.

ii) In December 2007, the Company closed a private placement of 4,083,333 units priced at $0.30 for gross proceeds of $1,225,000. Each unit consisted of one flow-through common share and one share purchase warrant entitling the holder to purchase one additional share for a period of two years at a price of $0.40 per share in the first year and at a price of $0.50 per share in the second year.

iii) In August 2007, the Company closed a private placement of 3,500,000 units priced at $0.40 per share for gross proceeds of $1,400,000. 737,500 units consisted of one flow-through common share and one share purchase warrant and 2,762,500 units consisted of one non flow-through common share and one share purchase warrant entitling the holder to purchase one additional share for a period of two years at a price of $0.40 during the first year and $0.50 thereafter.

iv) The Company incurred $222,860 share issuance costs pursuant to the private placements closed in the year.

7. SHARE CAPITAL (Continued)

c) Share Purchase Warrants

The following is a summary of the changes in warrants during the year ended May 31, 2009:

	NUMBER OF WARRANTS	EXERCISE PRICES
Outstanding and exercisable at May 31, 2007	22,947,443	
Warrants granted	16,271,634	$0.40, $0.50
Warrants exercised	(7,111,793)	$ 0.20
Warrants expired	(4,190,650)	$ 0.20 & 0.40
Outstanding and exercisable at May 31, 2008	27,916,634	
Warrants granted	37,904,832	$ 0.20 & 0.10
Warrants expired	(11,645,000)	$ 0.50 & 0.60
Outstanding at May 31, 2009	54,176,466	

As at May 31, 2009, the following share purchase warrants were outstanding:

TOTAL NUMBER OF WARRANTS	EXERCISE PRICES	EXPIRY DATES
3,500,000	$ 0.20	August 9, 2009
5,178,301	$ 0.50	December 3, 2009
3,510,000	$ 0.20	December 27, 2009
4,083,333	$ 0.20	December 27, 2009
6,115,000	$ 0.20	July 09, 2010
4,650,000	$ 0.20/0.25	July 22, 2009/July 22, 2010
7,105,000	$ 0.20/0.25	August 27, 2009/August 27, 2010
2,112,500	$ 0.20/0.25	October 09, 2009/October 09, 2010
8,975,000	$ 0.10	April 26, 2011
8,947,332	$ 0.10	May 21, 2011
54,176,466		

As at May 31, 2009 the weighted average remaining contractual life of the share purchase warrants was 0.97 years (2008 – 0.98) and the weighted average exercise price was $0.20 (2008 - $0.51).

On February 27, 2009, the Company re-priced warrants that were due to expire on August 9, 2009 and December 27, 2009 from $0.50 to $0.20 per warrant (subject to TSX and warrant-holder approvals). The fair value of the stock based compensation warrants was estimated at the date of re-pricing using a Black-Scholes pricing model in the amount of $66,241 with the following weighted average assumptions: i) exercise price per warrant of $0.20; ii) expected share price volatility of 116% and 139%; (iii) risk free interest rate of .7% to .8%; (iv) expected life of .5 to .8 years; and (v) no dividend yield.

Subsequent to May 31, 2009, 3,500,000 share purchase warrants expired unexercised.

7. SHARE CAPITAL (Continued)

d) Stock Options

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company exercisable pursuant to options granted under the Plan may not exceed ten percent of the issued and outstanding shares of the Company at the grant date. Options granted under the Plan may have a maximum term of five years. The exercise price of options granted under the Plan will not be less than the discounted market price of the shares (defined as the last closing market price of the Company's shares immediately preceding the grant date, less the maximum discount permitted by TSX.V policy), or such other price as may be agreed to by the Company and accepted by the TSX.V. Subject to Exchange Policies, the Board of Directors may, in its sole discretion, determine the time during which an Option shall vest and the method of vesting, or that no vesting restriction shall exist. Stock options granted to consultants providing investor relations activities under the Plan are subject to minimum vesting restrictions such that one-quarter of the option shall vest on each of the date grant and three, six and twelve months thereafter.

The following is a summary of the changes in stock options for the years ended May 31, 2009 and 2008 is as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding and exercisable at May 31, 2007	3,725,000	$0.48
Options exercised	(109,500)	$0.20
Options expired	(6,000)	$0.20
Options granted	3,070,000	$0.28
Outstanding and exercisable at May 31, 2008	6,679,500	$0.39
Options cancelled/expired	(677,000)	$0.40
Options granted	3,145,000	$0.10
Outstanding at May 31, 2009	9,147,500	$0.10

As of May 31, 2009 there were 9,147,500 options outstanding and 9,063,125 exercisable as follows:

NUMBER OF OPTIONS OUTSTANDING	NUMBER OF OPTIONS EXERCISABLE	EXERCISE PRICE	EXPIRY DATES
349,000	349,000	$ .10	August 19, 2009 & September 23, 2009
2,095,500	2,095,000	$ .10	May 15, 2011
733,000	733,000	$ .10	July 7, 2011
2,825,000	2,825,000	$ .10	January 31, 2013
3,145,000	3,060,625	$ .10	February 26, 2014
9,147,500	9,062,625		

Subsequent to May 31, 2009, 105,000 options expired unexercised.

7. SHARE CAPITAL (Continued)

d) Stock Options (Continued)

i) On February 27, 2009, the Company re-priced options that were due to expire between August 2009 and January 2013 (priced at between $0.20 and $0.53) to $0.10. The re-pricing of insiders' options is subject to shareholders' approval. The fair value of the stock based compensation options was estimated on the date of re-pricing in the amount of $88,079 ($41,512 to directors and officers) using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.10; ii) expected share price volatility of 84% to 136%; iii) risk free interest rate of.7% to 1.8%; iv) expected life of 0.5 to 4 years; and v) no dividend yield.

ii) On February 27, 2009, the Company granted 1,200,000 incentive stock options to directors and officers of the Company, and 1,945,000 to employees and consultants for a period of five years. The fair value of the stock based compensation options was estimated on the date of grant in the amount of $98,500 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.10; ii) expected share price volatility of 80% and 98% iii) risk free interest rate of 2.1% and 2.5%; iv) expected life of 5 years; and v) no dividend yield. All of the options granted vested immediately except for 150,000 options granted under the terms of an investor relations contract which vest on a quarterly basis.

iii) On January 31, 2008 the Company granted 1,100,000 incentive stock options to directors and officers of the Company, and 1,970,000 to employees and consultants for a period of five years. The fair value of the stock based compensation options was estimated on the date of grant in the amount of $491,400 Using the Black-Scholes valuation model with the following assumptions: i) Exercise price per share of $0.28; ii) Expected share price volatility – 78%; iii) risk free interest rate - 3%; iv) expected life - 5 years; and v) no dividend yield.

Included in stock based compensation expense is $39,466 (2008 - $176,072) for options issued to directors and officers.

e) Escrowed Shares and Warrants

Pursuant to a plan of arrangement completed by the Company in 2005, 1,374,143 common shares and 76,000 share purchase warrants were placed in escrow pursuant to an escrow agreement. The securities were released as follows: 10% on April 17, 2006 and six tranches of 15% every six months to April 17, 2009. At May 31, 2009 there were no shares held in escrow (2008 – 412,245).

8. CAPITAL MANAGEMENT

The Company manages capital with the goal to safeguard the Company's ability to continue as a going concern and ensure its ability to further explore and develop its mineral property holdings in Canada and Mexico. The Company includes cash and the components of shareholders' equity in the definition of capital.

8. CAPITAL MANAGEMENT (Continued)

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.

To ensure continued operations, the Company depends on external financing to fund its activities. The Company defines capital that it manages as share capital, and cash and cash equivalents. In the past fiscal year the Company has completed private placements, which provided sufficient funding for the current year's operational activities.

In the past, the Company has been successful in raising funds through the issuance of share capital. It is uncertain, however, how successful the Company will be in raising more funds in the current difficult market conditions. The Company currently has insufficient funds for its operational activities and will require equity financing, joint ventures or other forms of financing in order to fund continued exploration activities, flow-through expenditure obligations, and administrative overhead costs for the coming year.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these consolidated financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at May 31, 2009, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	HELD FOR TRADING	LOANS AND RECEIVABLES/ OTHER	TOTAL CARRYING VALUE	FAIR VALUE
Financial assets				
Cash and cash equivalents	$ 181,474	$ -	$ 181,474	$ 181,474
Accounts receivable	-	104,983	104,983	104,983
	$ 181,474	$ 104,983	$ 286,457	$ 286,457
Financial liabilities				
Accounts payable and accrued liabilities	$ -	$ 71,189	$ 71,189	$ 181,474
Accounts payable, related parties	-	374,692	374,692	374,692
	$ -	$ 445,881	$ 445,881	$ 445,881

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgement is required to develop certain of these estimates. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The methods and assumptions used to estimate the fair value of financial instruments are described below:

The Company is exposed to potential loss from various risks including commodity price risk, interest rate risk, currency risk, credit risk and liquidity risk. Based on the Company's operations the liquidity risk, commodity risk and currency risk are considered the most significant.

a) Commodity price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including silver, zinc and lead, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk, as the nature of Company's business is in exploration.

b) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Mexico and a portion of its expenses are incurred in U.S. dollars and in Mexican pesos. A significant change in the currency exchange rates between the Canadian dollar and these currencies could have an effect on the Company's results of operations, financial position or cash flows.

The Company has not hedged its exposure to currency fluctuations. At May 31, 2009, the Company was exposed to currency risk through the following assets and liabilities denominated in U.S. dollars and Mexican pesos.

	2009	2008
U.S. Dollars		
Accounts payable and accrued liabilities	$ 327,366	$ 145,360
Mexican Pesos		
Cash and cash equivalents	P 412,818	-
Accounts payable and accrued liabilities	P (72,783)	-

Based on the above net exposures at May 31, 2009, and assuming that all other variables remain constant a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of $32,736 in the Company's loss from operations, and a 10% appreciation or depreciation of the Canadian dollar against the Mexican Pesos would result in an increase/decrease of $2,827 in the Company's loss from operations.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

c) Liquidity risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes the company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short term obligations during the year.

During the past year the Company has been able to maintain its liquidity position through private placements. However, the difficult market conditions make it uncertain whether the Company can continue to raise adequate funds to meet its financial obligations (see Note 8).

10. DUE FROM/ TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Related party balances consisted of the following:

	2009	2008
Due from public companies related by a director in common	**$ 40,342**	$ 163,610
Due to directors and companies with directors in common	**$ (374,692)**	$ (178,554)

The above amounts were unsecured, non-interest bearing and had no specified terms of repayment.

Transactions with related parties were in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration agreed to and established by the related parties. In addition to the related party transactions reported in the mineral properties and share capital notes, the Company had the following related party transactions during the years ended May 31, 2009 and 2008:

10. DUE FROM/ TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

a) Pursuant to a management agreement contract with Hastings Management Corp. ("Hastings"), a private company controlled by a director, the Company was charged $705,000 (2008 - $462,500) during the year. The contract is for a one-year renewable term and can be terminated upon 30 days notice by either party. The services to the Company included supervision and administration of the financial requirements of the Company's business, producing quarterly and year end accounts in accordance with public reporting requirements; communicating with various regulatory authorities in order to ensure compliance with all applicable laws; assisting in the preparation of news releases, professional analysis and planning of exploration programs, promotional materials and other documents required to be disseminated to the public and responding to any requests for information or questions which may be posed by the public; providing access to secretarial services and legal consultation; providing office space, office furniture, boardroom facilities, access to photocopier, fax and such other amenities normally associated with office needs; and providing such other additional instructions and directions as required. At May 31, 2009, a total of $17,437 (2008 - $4,643) was owed to Hastings (paid) and a total of $85,070 was prepaid to Hastings.

b) Consulting fees in the aggregate of $180,600 (2008 - $157,500) were paid to directors and officers during the year.

c) At May 31, 2009, the Company owed $357,255 (2008 - $178,554) to a director and public companies with common directors (paid).

11. INCOME TAXES

a) Provision for Income Taxes

The Company's provision for income taxes for the years ended May 31, 2009 and 2008 differs from the amounts computed by applying the statutory income tax rates to the loss before income taxes as a result of the following:

	2009	2008
Statutory combined federal and provincial rate	**30%**	33%
Computed recovery of income taxes at statutory rates	**$ (987,000)**	$ (1,100,000)
Non-deductible expenses	**57,000**	162,000
Effect of change in tax rate	**(36,000)**	(30,000)
Tax benefits recognized	**(503,000)**	(202,000)
	$ (1,469,000)	$ (1,170,000)

11. INCOME TAXES (Continued)

b) Future Income Tax Assets and Liabilities

The estimated tax effect of the significant components within the Company's future tax liability was as follows:

	2009	2008
Future income tax assets		
Non-capital losses carried forward	**$ 1,327,000**	$ 853,000
Mineral properties	**94,000**	-
Capital assets	**106,000**	134,000
Share issue costs	**117,000**	92,000
	1,644,000	1,079,000
Valuation allowance	**(97,000)**	-
	1,547,000	1,079,000
Future income tax liabilities		
Mineral property interests	**(1,698,000)**	(1,623,000)
Net future income tax liabilities	**$ (151,000)**	$ (544,000)

The Company's Canadian non-capital losses begin to expire in 2016 and Mexican non–capital losses begin to expire in 2019. The amounts carried forward for income tax purposes were approximately as follows:

	2009	2008
Canada	**$ 5,295,000**	$ 3,282,000
Mexico	**11,000**	-
	$ 5,306,000	$ 3,282,000

c) Flow-through resource expenditures

The Company is permitted, under Canadian income tax legislation, to renounce flow-through related resource expenditures to investors in advance of the Company incurring the expenditure. In accordance with this legislation, the Company has twelve months following the effective date of renunciation to incur the expenditures. The Company begins incurring interest charges for unspent funds after one month and fees for unspent funds at the end of the calendar year following the effective date of renunciation, and until such time as funds are fully expended.

During the year ended May 31, 2009, the Company renounced $3,471,000 in flow-through share financings. As of May 31, 2009 a balance of approximately $1,318,035 remained to be spent on exploration expenditures on the Company's Canadian exploration properties. As at September 24, 2009, the Company had spent a further amount of $468,498 towards these flow through obligations.

12. SUPPLEMENTAL CASH FLOW INFORMATION

a) Non-Cash Investing and Financing Activities:

Year ended May 31, 2009:

2,952,500 common shares were issued for property acquisition option payments.

Year ended May 31, 2008:

1,100,000 common shares were issued for property acquisition option payments.

b) Interest and Income Taxes Paid in Cash:

Interest (Part XII.6 tax) in the amount of $29,045 was paid in the year ended May 31, 2009 (2008 - $165,800).

No income taxes were paid in either of the years ended May 31, 2009 or 2008.

13. SEGMENTED INFORMATION

The Company's mineral properties acquisition and exploration activities were in Canada and Mexico. The Company is in the exploration stage and has no reportable segment revenues. The Company's net loss for the years ended May 31, 2009 and 2008 were incurred in Canada and Mexico. Segment disclosure and company-wide information is as follows:

	AS AT AND FOR THE YEAR ENDED MAY 31, 2009		
	CANADA	MEXICO	TOTAL
Mill and equipment	$ 822,468	$ -	$ 822,468
Mineral properties	11,503,446	68,680	11,572,126
Other assets	503,056	34,317	537,373
	$ 12,828,970	$ 102,997	$ 12,931,967
Operating expense	$ (1,978,659)	$ -	$ (1,978,659)
Other (expense)/income	(1,036,267)	(1,740,800)	(2,777,067)
Future income tax recovery	1,469,000	-	1,469,000
	$ (1,545,926)	$ (1,740,800)	$ (3,286,726)

13. SEGMENTED INFORMATION (Continued)

	AS AT AND FOR THE YEAR ENDED MAY 31, 2008		
	CANADA	MEXICO	TOTAL
Mill and equipment	$ 982,483	$ -	982,483
Mineral properties	8,692,823	1,826,607	10,519,430
Other assets	1,060,999	-	1,060,999
	$ 10,736,305	$ 1,826,607	12,562,912
Operating expense	$ (2,142,465)	$ -	$ (2,142,465)
Other (expense)/income	(1,191,397)	-	(1,191,397)
Future income tax recovery	1,170,000	-	1,170,000
	$ (2,163,862)	$ -	$ (2,163,862)

14. SUBSEQUENT EVENTS

Private Placements

- In June 2009, the Company closed the second tranche for the private placement arranged on April 21, 2009 for 1,893,000 flow-through and 200,000 non flow-through units priced at $0.06 per unit. Each of the units consisted of either one flow-through or non flow-through common share and one non flow-through non-transferable share purchase warrant entitling the holder to purchase one additional share for a period of two years at a price of $0.10. Total proceeds were $125,580.

- In June 2009, the Company closed the private placement arranged on May 29, 2009 for 11,000,332 flow-through and 2,700,000 non flow-through units priced at $0.06 per unit. Each unit consisted of either one flow-through or non flow-through common share and one non flow-through, non-transferable share purchase warrant entitling the holder to purchase one additional common share for a period of two years at a price of $0.10 per share. Total proceeds were $822,020.

- In July 2009, the Company closed the private placement arranged on June 17, 2009 for 9,500,000 flow-through units priced at $0.06 per unit. Each unit consisted of one flow-through common share and one non flow-through, non-transferable share purchase warrant entitling the holder to purchase one additional common share for a period of two years at a price of $0.10 per share. Total proceeds were $570,000.

14. SUBSEQUENT EVENTS (Continued)

Private Placements (Continued)

- In July 2009, the Company closed the private placement arranged on June 25, 2009 for 2,310,000 flow-through and 8,300,000 non flow-through units priced at $0.06 per unit. Each unit consisted of either one flow-through or non flow-through common share and one non flow-through, non-transferable share purchase warrant entitling the holder to purchase one additional common share for a period of two years at a price of $0.10 per share. Total proceeds were $636,600.

Mineral Properties

- In June 2009, the Company issued 150,000 shares for the property acquisition (for Haultain and Maralgo properties, 75,000 shares each).

- In June 2009, the Company entered into a property option agreement to earn 100% interest in the Kelly mineral property in British Columbia. In order to earn a 100% interest, the Company must:

  a) Pay $5,000 upon signing the agreement;
  b) Pay $7,500 on or before June 19, 2010;
  c) Pay $10,000 on or before June 19, 2011; and
  d) Pay $12,500 on or before June 19, 2012.

- In July 2009, the Company entered into a property option agreement to earn 100% interest in the Goldsmith mineral property in British Columbia. There is a 2% NSR payable on the claims, of which half (1%) may be purchased for $250,000. In order to earn a 100% interest, the Company must:

  a) Pay $5,000 upon receipt of regulatory approval;
  b) Pay $10,000 on or before 12 months from the date of regulatory approval;
  c) Pay $15,000 on or before 24 months from the date of regulatory approval;
  d) Pay $20,000 on or before 36 months from the date of regulatory approval;
  e) Pay $30,000 on or before 48 months from the date of regulatory approval;
  f) Pay $20,000 on or before 60, 72, 84, 96, 108, and 120 months from the date of regulatory approval;
  g) Issue 50,000 common shares upon receipt of regulatory approval (issued);
  h) Issue 50,000 common shares 12, 24, and 36 months from the date of regulatory approval.

KLONDIKE SILVER CORP.
SCHEDULE OF MINERAL PROPERTY COSTS – YEAR ENDED MAY 31, 2009

	Slocan and Sandon B. Columbia	Connaught Property Yukon	Stump Property Yukon	Nordling Property Yukon	Santa Lucia Mexico	Starling Anomalies I Mexico	Starling Anomalies II Mexico	Espiritu Mexico
Acquisition Costs								
Opening balance-acquisition	$ 687,998	$ 217,000	$ 123,500	$ 17,000	$ 336,084	$ 334,608	$ 30,514	$ -
Staking costs	1,575	-	-	-	-	-	-	-
Option payments cash	-	-	-	7,500	-	-	-	-
Option payments shares	-	25,000	-	3,000	50,000	-	-	252,000
Administration	-	-	-	-	21,570	-	-	48,400
Property write off	-	-	-	-	(407,654)	(334,608)	(30,514)	(247,053)
	689,573	242,000	123,500	27,500	-	-	-	53,347
Exploration Costs								
Opening balance-exploration	2,957,066	633,635	162,287	-	149,763	227,677	559,465	-
Opening balance-advance	-	41,219	300,739	-	-	-	-	-
Exploration advances	-	(41,219)	(275,491)	-	-	-	-	-
Amortization	164,970	-	-	-	-	-	-	-
Consulting	20,951	2,100	4,531	-	-	-	-	-
Drilling	12,623	453,036	15,573	-	-	-	-	-
Equipment repairs	135,003	-	-	-	-	-	-	-
Fuel	137,919	-	-	-	-	-	-	-
Geological	281,497	500	4,100	-	11,457	-	-	53,012
Labour and benefits	625,209	-	-	-	-	-	-	-
Line cutting	3,513	-	-	-	-	-	-	-
Mapping and sampling	297,132	50,925	114,782	-	69,800	-	-	5,376
Site administration	8,029	63,447	621	-	12,188	-	29,466	8,758
Miscellaneous	-	-	-	-	-	-	-	-
Supplies and maintenance	223,249	795	-	-	-	-	-	-
Surveying	-	-	-	-	-	-	-	-
Utilities and communications	65,552	-	-	-	-	-	-	-
Property write off	-	-	-	-	(243,208)	(227,677)	(588,931)	(51,813)
	4,932,713	1,204,438	327,142	-	-	-	-	15,333
Balance, May 31, 2009	$ 5,622,286	$ 1,446,438	$ 450,642	$ 27,500	$ -	$ -	$ -	$ 68,680

KLONDIKE SILVER CORP.
SCHEDULE OF MINERAL PROPERTY COSTS – YEAR ENDED MAY 31, 2009

	Alaska North Mexico	Alaska South Mexico	San Dimas Mexico	Mina Grande Mexico	San Luis Mexico	Wigwam Property Ontario	Cleaver Ontario	Reeves Lake Ontario	Haultain Property Ontario
Acquisition Costs									
Opening balance-acquisition	$ 14,674	$ 7,912	$ -	$ 19,733	$ -	$ 59,500	$ 91,500	$ 10,000	$ 246,338
Staking costs	-	-	-	-	-	-	-	-	-
Option payments cash	-	-	32,883	-	202,789	-	17,500	7,500	20,000
Option payments shares	11,750	11,750	-	-	42,500	3,500	4,500	-	18,750
Administration	-	-	-	-	-	-	-	-	-
Property write off	(26,424)	(19,662)	(32,883)	(19,733)	(245,289)	-	-	-	-
	-	-	-	-	-	63,000	113,500	17,500	285,088
Exploration Costs									
Opening balance-exploration	108,548	14,881	3,311	19,436	-	1,494	-	-	1,358,728
Opening balance-advance	-	-	-	-	-	-	-	-	-
Exploration advances	(25,000)	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-	-	-
Consulting	-	-	-	-	-	-	-	-	100
Drilling	-	-	-	-	-	-	-	-	21,360
Equipment repairs	-	-	-	-	-	-	-	-	-
Fuel	-	-	-	-	-	-	-	-	-
Geological	43,258	36,016	37,547	38,409	31,400	-	-	-	29,609
Labour and benefits	-	-	-	-	-	-	-	-	-
Line cutting	-	-	-	-	-	15,740	-	-	23,915
Mapping and sampling	7,064	18,870	3,034	11,910	7,268	-	-	-	69,875
Site administration	4,336	2,818	3,404	3,404	16,635	-	-	-	12,000
Miscellaneous	-	-	-	-	-	-	-	-	-
Supplies and maintenance	-	-	-	-	-	-	-	-	-
Surveying	3,475	3,475	-	-	-	16,716	-	-	12,000
Utilities and communications	-	-	-	-	-	-	-	-	-
Property write off	(141,681)	(76,060)	(47,296)	(73,159)	(55,303)	-	-	-	-
	-	-	-	-	-	33,950	-	-	1,527,587
Balance, May 31, 2009	$ -	$ -	$ -	$ -	$ -	$ 96,950	$ 113,500	$ 17,500	$ 1,812,675

KLONDIKE SILVER CORP.
SCHEDULE OF MINERAL PROPERTY COSTS - YEAR ENDED MAY 31, 2009

	Maralgo Property Ontario	Beemer Property Ontario	Lawson Property Ontario	Anvil Silver Ontario	South Bay Ontario	South Nickel Ontario	Walsh Silver Ontario	Milner Property Ontario	Clogor Ontario	TOTAL
Acquisition Costs										
Opening balance-acquisition	$ 47,750	$ 45,276	$ 3,960	$ 68,952	$ 28,000	$ -	$ 28,000	$ 85,756	$ -	$2,504,055
Staking costs	-	1,500	-	-	-	-	-	-	-	3,075
Option payments cash	10,000	-	-	10,000	10,500	-	11,250	-	10,000	104,250
Option payments shares	15,750	-	-	5,250	4,500	-	1,750	3,500	3,600	457,100
Administration	-	-	-	-	-	-	-	-	-	69,970
Property write off	-	-	-	-	-	-	-	-	-	(1,128,148)
	73,500	46,776	3,960	84,202	43,000	-	41,000	89,256	13,600	2,010,302
Exploration Costs										
Opening balance-exploration	13,561	66,842	55,278	171,045	668	388,236	680	542,269	-	7,434,870
Opening balance-advance	-	-	-	-	-	-	-	238,547	-	580,505
Exploration advances	-	-	-	-	-	-	-	(238,547)	-	(580,257)
Amortization	-	-	-	-	-	-	-	-	-	164,970
Consulting	-	-	100	-	-	-	-	100	-	27,882
Drilling	-	-	-	-	-	-	-	-	-	502,592
Equipment repairs	-	-	-	-	-	-	-	-	-	135,003
Fuel	-	-	-	-	-	-	-	-	-	137,919
Geological	-	87	36,928	6,015	-	1,188	-	63,405	-	644,671
Labour and benefits	-	-	-	-	-	-	-	-	-	625,209
Line cutting	-	-	-	-	-	-	-	-	-	43,168
Mapping and sampling	-	-	42,523	725	-	-	188	34,130	-	685,455
Site administration	-	-	-	-	-	-	-	36,000	-	186,621
Supplies and maintenance	-	-	-	-	-	-	-	-	-	224,044
Surveying	-	919	19,625	-	-	1,181	-	3,749	-	89,409
Utilities and communications	-	-	-	35,219	-	-	-	-	-	65,552
Property write off	-	-	-	-	-	-	-	-	-	(1,405,789)
	13,561	67,848	154,454	213,004	668	390,605	868	679,653	-	9,561,824
Balance, May 31, 2009	$ 87,061	$ 114,624	$ 158,414	$ 297,206	$ 43,668	$ 390,605	$ 41,868	$ 768,909	$ 13,600	$11,572,126

KLONDIKE SILVER CORP.
SCHEDULE OF MINERAL PROPERTY COSTS - YEAR ended MAY 31, 2008

	Slocan Group British Columbia	Idaho Creek Yukon	Connaught Property Yukon	Stump Property Yukon	Nordling Property Yukon	Santa Lucia Mexico	Starling Anomalies I Mexico	Starling Anomalies II Mexico	Mina Grande Mexico
Acquisition Costs									
Opening balance-acquisition	$ 687,682	$ 91,500	$ 138,500	$ 45,000	$ -	$ 114,248	$ 10,278	$ -	$ -
Staking costs	316	-	-	-	-	122,109	307,620	26,807	3,909
Option payments cash	-	35,000	-	-	8,500	51,270	-	-	15,824
Option payments shares	-	44,000	78,500	78,500	8,500	44,000	-	-	-
Administration	-	-	-	-	-	4,457	16,710	3,707	-
Property write off	-	(170,500)	-	-	-	-	-	-	-
	687,998	-	217,000	123,500	17,000	336,084	334,608	30,514	19,733

	Slocan Group British Columbia	Idaho Creek Yukon	Connaught Property Yukon	Stump Property Yukon	Nordling Property Yukon	Santa Lucia Mexico	Starling Anomalies I Mexico	Starling Anomalies II Mexico	Mina Grande Mexico
Exploration Costs									
Opening balance-exploration	1,083,890	480,717	74,520	1,190	-	237,051	95,980	-	-
Opening balance-advance	5,003	287,704	222,191	60,000	-	-	-	-	-
Exploration advances	(5,003)	(287,704)	(180,972)	240,739	-	-	-	-	-
Amortization	203,939	-	-	-	-	-	-	-	-
Consulting	8,118	800	13,200	2,500	-	24,051	(13,719)	277,037	-
Drilling	-	488,240	423,283	132,171	-	-	-	-	-
Equipment repairs	132,567	-	-	-	-	-	-	-	-
Fuel	73,987	-	-	-	-	-	-	-	-
Geological	158,731	-	-	-	-	27,804	-	138,345	2,772
Labour and benefits	654,493	-	-	-	-	-	-	-	-
Line cutting	13,738	-	-	-	-	-	-	-	-
Mapping and sampling	142,745	8,368	23,595	10,358	-	26,654	14,961	69,576	-
Site administration	38,645	53,594	98,820	16,068	-	56,333	129,021	72,623	16,664
Miscellaneous	2,276	-	217	-	-	(1,575)	1,434	-	-
Supplies and maintenance	381,802	-	-	-	-	-	-	-	-
Surveying	5,276	-	-	-	-	(220,555)	-	1,884	-
Utilities and communications	56,859	-	-	-	-	-	-	-	-
Property write off	-	(1,031,719)	-	-	-	-	-	-	-
	2,957,066	-	674,854	463,026	-	149,763	227,677	559,465	19,436
Balance, May 31, 2008	$ 3,645,064	$ -	$ 891,854	$ 586,526	$ 17,000	$ 485,847	$ 562,285	$ 589,979	$ 39,169

KLONDIKE SILVER CORP.
SCHEDULE OF MINERAL PROPERTY COSTS - YEAR ENDED MAY 31, 2008

	Alaska North Mexico	Alaska South Mexico	San Dimas Mexico	Haultain Property Ontario	Milner Property Ontario	Wigwam Property Ontario	Cleaver Ontario	Reeves Lake Ontario	South Nickel Ontario
Acquisition Costs									
Opening balance-acquisition	$ -	$ -	$ -	$ 101,210	$ 28,500	$ 33,500	$ -	$ -	
Staking costs	6,762	-	-	92,128	31,756	-	-	-	-
Option payments cash	7,912	7,912	-	20,000	10,000	15,000	75,000	10,000	-
Option payments shares	-	-	-	33,000	15,500	11,000	16,500	-	-
Administration	-	-	-	-	-	-	-	-	-
Property write off	-	-	-	-	-	-	-	-	-
	14,674	7,912	-	246,338	85,756	59,500	91,500	10,000	-
Exploration Costs									
Opening balance-exploration	-	-	-	33,174	1,195	1,494	-	-	-
Opening balance-advance	-	-	-	-	-	-	-	-	-
Exploration advances	25,000	-	-	-	238,547	-	-	-	-
Amortization	-	-	-	-	-	-	-	-	-
Consulting	-	-	-	1,430	8,850	-	-	-	950
Drilling	-	-	-	349,087	372,227	-	-	-	-
Equipment repairs	-	-	-	-	-	-	-	-	-
Fuel	-	-	-	-	-	-	-	-	-
Geological	70,813	11,757	2,772	97,335	45,442	-	-	-	1,403
Labour and benefits	-	-	-	-	-	-	-	-	-
Line cutting	-	-	-	-	-	-	-	-	-
Mapping and sampling	-	-	-	50,272	4,635	-	-	-	10,101
Site administration	10,150	539	539	8,243	21,000	-	-	-	-
Miscellaneous	-	-	-	918	-	-	-	-	-
Supplies and maintenance	-	-	-	-	-	-	-	-	-
Surveying	2,585	2,585	-	818,269	88,920	-	-	-	375,782
Utilities and communications	-	-	-	-	-	-	-	-	-
Property write off	-	-	-	-	-	-	-	-	-
	108,548	14,881	3,311	1,358,728	780,816	1,494	-	-	388,236
Balance, May 31, 2008	$ 123,222	$ 22,793	$ 3,311	$ 1,605,066	$ 866,572	$ 60,994	$ 91,500	$ 10,000	$ 388,236

KLONDIKE SILVER CORP.
SCHEDULE OF MINERAL PROPERTY COSTS - YEAR ENDED MAY 31, 2008

	Maralgo Property Ontario	Beemer Property Ontario	Lawson Property Ontario	Anvil Silver Ontario	South Bay Ontario	Walsh Silver Ontario	TOTAL
Acquisition Costs							
Opening balance-acquisition	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,250,418
Staking costs	-	45,276	3,960	21,952	-	-	662,595
Option payments cash	20,000	-	-	20,000	10,000	10,000	316,418
Option payments shares	27,750	-	-	27,000	18,000	18,000	420,250
Administration	-	-	-	-	-	-	24,874
Property write off	-	-	-	-	-	-	(170,500)
	47,750	45,276	3,960	68,952	28,000	28,000	2,504,055
Exploration Costs							
Opening balance-exploration	-	-	-	-	-	-	2,009,211
Opening balance-advance	-	-	-	-	-	-	574,898
Exploration advances	-	-	-	-	-	-	30,607
Amortization	-	-	-	-	-	-	203,939
Consulting	-	-	-	-	-	-	323,217
Drilling	-	-	-	-	-	-	1,765,008
Equipment repairs	-	-	-	-	-	-	132,567
Fuel	-	-	-	-	-	-	73,987
Geological	-	-	45,391	-	-	-	602,565
Labour and benefits	-	-	-	-	-	-	654,493
Line cutting	9,500	-	-	-	-	-	23,238
Mapping and sampling	2,500	1,200	9,887	1,200	-	-	376,052
Site administration	961	-	-	-	-	-	523,200
Miscellaneous	600	-	-	1,040	668	680	6,258
Supplies and maintenance	-	-	-	-	-	-	381,802
Surveying	-	65,642	-	168,805	-	-	1,309,193
Utilities and communications	-	-	-	-	-	-	56,859
Property write off	-	-	-	-	-	-	(1,031,719)
	13,561	66,842	55,278	171,045	668	680	8,015,375
Balance, May 31, 2008	$ 61,311	$ 112,118	$ 59,238	$ 239,997	$ 28,668	$ 28,680	$ 10,519,430