KLONDIKE SILVER CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2010 AND 2009
(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, 2010 and 2009 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, 2010 and 2009 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 23, 2010 Chartered Accountants

Tel: (604) 687 – 5841
Fax: (604) 687 – 0075
www.morgan-cas.com

MEMBER OF
jhi

P.O. Box 10007 Pacific Centre
Suite 1488 – 700 West Georgia Street
Vancouver, BC V7Y 1A1

KLONDIKE SILVER CORP.

CONSOLIDATED BALANCE SHEETS

	MAY 31 **2010**	2009
ASSETS		
Current		
Cash	**$ -**	$ 181,474
Accounts receivable	**94,051**	104,983
Prepaid expenses	**8,134**	102,074
	102,185	388,531
Due From Related Parties (Note 10)	**-**	40,342
Reclamation Bond (Note 3)	**119,000**	108,500
Mill And Equipment (Note 4)	**941,754**	822,468
Mineral Properties (Note 5 and Schedule)	**13,852,066**	11,572,126
	$ 15,015,005	$ 12,931,967
LIABILITIES		
Current		
Bank indebtedness	**$ 51,983**	$ -
Accounts payable and accrued liabilities	**267,417**	71,189
Due to related parties (Note 10)	**274,988**	374,692
	594,388	445,881
Future Income Taxes (Note 11)	**16,000**	151,000
Asset Retirement Obligations (Note 6)	**54,683**	49,825
	665,071	646,706
SHAREHOLDERS' EQUITY		
Share Capital (Note 7)	**21,700,275**	18,210,675
Share Subscriptions Received	**-**	6,000
Contributed Surplus	**2,299,462**	1,717,268
Deficit	**(9,649,803)**	(7,648,682)
	14,349,934	12,285,261
	$ 15,015,005	$ 12,931,967

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	
	2010	2009
Expenses		
Accretion and amortization	**$ 18,236**	$ 14,676
Administration (Note 10)	**750,000**	705,000
Consulting fees (Note 10)	**336,984**	247,176
Fuel	**111**	22,153
Investor relations, travel and promotion	**140,146**	272,436
Labour and benefits	**69,570**	189,880
Office	**59,905**	122,769
Part XII.6 tax	**13,613**	(7,027)
Professional fees	**58,402**	78,603
Regulatory and stock transfer fees	**119,136**	106,038
Stock based compensation	**439,000**	188,579
Supplies and maintenance	**13,099**	30,237
Utilities and communication	**1,375**	8,139
Loss Before Other Income (Expenses) and Income Taxes	**(2,019,577)**	(1,978,659)
Other Income (Expenses)		
Foreign exchange (loss) gain	**(8,790)**	20,223
Interest earned	**309**	17,137
Mineral properties write-off	**(1,072,063)**	(2,875,136)
Recovery of prior period expenses	**-**	60,709
	(1,080,544)	(2,777,067)
Loss Before Income Taxes	**(3,100,121)**	(4,755,726)
Future income taxes recovered (Note 11)	**1,099,000**	1,469,000
Net Loss And Comprehensive Loss For The Year	**$ (2,001,121)**	$ (3,286,726)
Loss Per Share – Basic and diluted	**$ (0.01)**	$ (0.04)
Weighted Average Number Of Shares Outstanding, Basic and diluted	**162,029,114**	91,525,896

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

KLONDIKE SILVER CORP.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED MAY 31, 2010

	SHARE CAPITAL NUMBER	SHARE CAPITAL AMOUNT	SHARE SUBSCRIPTIONS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
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	-	(159,960)	-	-	-	(159,960)
Share issuance costs	-	(275,677)	-	-	-	(275,677)
Share issuance costs – 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
Issue of shares for mineral properties	715,000	51,000	-	-	-	51,000
Issue of shares for cash, private placements						
Flow-through shares	44,248,291	2,783,003	-	-	-	2,783,003
Non flow-through shares	28,602,808	1,802,683	(6,000)	-	-	1,796,683
Share issuance costs	-	(200,226)	-	-	-	(200,226)
Share issuance costs – re-priced warrants	-	(143,194)	-	143,194	-	-
Stock based compensation	-	-	-	439,000	-	439,000
Share subscriptions received	-	159,960	-	-	-	159,960
Tax benefits renounced on flow-through shares	-	(963,626)	-	-	-	(963,626)
Net loss and comprehensive loss for the year	-	-	-	-	(2,001,121)	(2,001,121)
Balance, May 31, 2010	**186,278,085**	**$ 21,700,275**	**$ -**	**$ 2,299,462**	**$ (9,649,803)**	**$ 14,349,934**

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

KLONDIKE SILVER CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED MAY 31 **2010**	2009
Cash Flows Provided By (Used In):		
Operating Activities		
Net loss for the year	**$ (2,001,121)**	$ (3,286,726)
Non-cash items:		
Accretion and amortization	**18,236**	14,676
Mineral properties write-off	**1,072,063**	2,875,136
Stock based compensation	**439,000**	188,579
Future income taxes recovered	**(1,099,000)**	(1,469,000)
	(1,570,822)	(1,677,335)
Changes in non-cash operating assets and liabilities:		
Accounts receivable	**10,932**	156,643
Prepaid expenses	**93,940**	(50,495)
Accounts payable and accrued liabilities	**110,865**	(101,491)
Due to related parties	**61,610**	(1,795)
	(1,263,475)	(1,674,473)
Investing Activities		
Reclamation bonds	**(10,500)**	(8,500)
Due from related parties	**40,342**	123,268
Equipment purchases	**(298,952)**	(15,205)
Mineral property acquisition and exploration expenditures	**(3,379,792)**	(3,196,993)
	(3,648,902)	(3,097,430)
Financing Activities		
Shares issued	**4,579,686**	4,738,880
Share issue costs	**(200,226)**	(275,677)
Share subscriptions received	**159,960**	6,000
Due to related parties	**139,500**	-
	4,678,920	4,469,203
Net Decrease In Cash	**(233,457)**	(302,710)
Cash, Beginning of Year	**181,474**	484,184
(Bank Indebtedness) Cash, End of Year	**$ (51,983)**	$ 181,474

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 $2,001,121 for the year ended May 31, 2010 (2009 - $3,286,726), and as of May 31, 2010 had a working capital deficiency of $492,203 (2009 - $57,350), and a deficit of $9,649,803 (2009 - $7,648,682). On May 31, 2010, the Company did not have sufficient cash to meet minimum general and administration expenses for the year ending May 31, 2011. 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 reported in these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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. which was incorporated in Mexico as of April 2008, to manage its properties in Mexico.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Going Concern

Management is required to assess the Company's ability to continue as a going concern. When there are material uncertainties related to events or conditions that may cast doubt on the Company's ability to continue as a going concern, those uncertainties are disclosed. In assessing the appropriateness of the going concern assumption, management is required to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date.

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.

e) Financial Instruments

Financial instruments are classified into one of five categories: Held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Financial Instruments (Continued)

The Company has classified its cash as held-for-trading, amounts receivable as loans and receivables and accounts payable, accrued liabilities, and due to related parties as other financial liabilities. The carrying values of the Company's financial instruments were a reasonable approximation of fair value.

GAAP 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.

Financial Instrument Risks

Financial instruments are exposed to credit, liquidity and market risks. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liquidity risks is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Credit risk and liquidity risk on amounts due to creditors and amounts due to related parties were significant to the Company's balance sheet. The Company manages these risks by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing activities. The Company's ability to raise share capital is indirectly related to changing metal prices and the price of silver, lead and zinc in particular. To mitigate this market risk, management of the Company actively pursues a diversification strategy with property holdings focusing on base and precious metals.

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 translation of self-sustaining foreign operations financial statements. As there were no other comprehensive income items, comprehensive income for the period was equal to the net income for the period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 transactions are recorded in the consolidated statements of operations.

h) Cash

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. Amortization on mill and equipment is provided on the straight line method over estimated useful lives ranging from three to eight years. 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Mineral Properties (Continued)

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 Sandon Mill and related equipment. 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 unfavorable exploration results and significant unfavorable 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 follows the CICA Handbook Section 3110 "Asset Retirement Obligations". Under 3110, legal obligations associated with the future retirement of tangible long-lived assets are recorded as liabilities. The liabilities are recorded in the period management is able to establish a reasonable estimate of a fair value of the retirement obligation. The liabilities are calculated using the net present value of the estimated cash flows required to settle the obligation and are subject to accretion over time for changes in the fair value of the estimated obligation. A corresponding amount is capitalized to the related asset. Asset retirement costs are charged to earnings in a manner consistent with the depletion and amortization of the underlying assets. The liabilities are subject to accretion over time for changes in the fair value of the obligations. Management estimates may be subject to material adjustment as a result of changes in regulations, or changes in the means and extent of environmental remediation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Asset Retirement Obligations (Continued)

The operations of the Company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, will be charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Share Capital (Continued)

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 and expensed 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Comparative Figures

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

q) Newly Adopted Accounting Policies

i) Financial Instruments – Disclosures

CICA Handbook Section 3862, *Financial Instruments – Disclosures* and *Section 3863, Financial Instruments – Presentation* require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. Section 3863 disclosures enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

ii) Hedges

Section 3865, Hedges; specifies the criteria under which hedge accounting is permissible and how hedge accounting may be performed. As at May 31, 2010 and 2009, the Company had not designated any hedging relationships.

r) Future Accounting Pronouncements Not Yet Adopted

i) Consolidated Financial Statements

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 AccountingStandard 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)

r) Future Accounting Pronouncements Not Yet Adopted (Continued)

i) Consolidated Financial Statements (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.

ii) Business Combinations

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Future Accounting Pronouncements Not Yet Adopted (Continued)

iii) International Financial Reporting Standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that fiscal 2011 is the changeover date for non-calendar year end publicly accountable enterprises to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended May 31, 2011. While the Company has begun assessing the adoption of IFRS for fiscal 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. RECLAMATION BONDS

The reclamation bonds are recorded at fair value and consist 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

	2010		
	COST	**ACCUMULATED AMORTIZATION**	**NET BOOK VALUE**
Mill	**$ 277,361**	**$ 34,670**	**$ 242,691**
Equipment	**1,293,202**	**656,912**	**636,290**
Land	**62,773**	**-**	**62,773**
	$ 1,633,336	**$ 691,582**	**$ 941,754**

	2009		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Mill	$ 277,361	$ -	$ 277,361
Equipment	994,250	511,916	482,334
Land	62,773	-	62,773
	$ 1,334,384	$ 511,916	$ 822,468

4. MILL AND EQUIPMENT (Continued)

Amortization on exploration use of equipment in the amount of $535,196 (2009 - $368,908) has been capitalized in mineral properties.

5. MINERAL PROPERTIES

	2010		
	ACQUISITION COSTS AND OPTION PAYMENTS	**DEFERRED EXPLORATION COSTS AND ADVANCES**	**TOTAL**
Canadian Properties			
British Columbia	**$ 697,764**	**$ 7,289,366**	**$ 7,987,130**
Ontario	**675,430**	**2,515,376**	**3,190,806**
Yukon	**398,219**	**1,621,951**	**2,020,170**
Mexican Properties			
Mexico	**109,430**	**544,530**	**653,960**
	$ 1,880,843	**$ 11,971,223**	**$ 13,852,066**

	2009		
	ACQUISITION COSTS AND OPTION PAYMENTS	DEFERRED EXPLORATION COSTS AND ADVANCES	TOTAL
Canadian Properties			
British Columbia	$ 689,573	$ 4,932,713	$ 5,622,286
Ontario	874,382	3,082,198	3,956,580
Yukon	393,000	1,531,580	1,924,580
Mexican Properties			
Mexico	53,347	15,333	68,680
	$ 2,010,302	$ 9,561,824	$ 11,572,126

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

British Columbia Properties

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.

5. MINERAL PROPERTIES (Continued)

Ontario Properties

b) Over the past four years the Company has acquired 100% interests in mineral exploration properties in various areas of Ontario in consideration for cash, common shares and exploration expenditures. Pursuant to the agreements to the various properties, the Optionors are entitled to receive a NSR of 2%. The Company may at any time purchase interests in the NSRs for prices ranging from $500,000 to $1,000,000.

c) During the year ended May 31, 2010, due to poor exploration results management abandoned certain claims and deferred costs in the amounts of $1,038,112 were written off.

Yukon Properties

d) 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.

e) 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 was a NSR that could range from 2 to 5% depending upon the amount of processing the ores receive prior to smelting, and the Company paid $17,077 in February 2010. As of May 31, 2008 the Company had earned its 100% interest in the Stump Property for total consideration of 300,000 shares.

Mexican Properties

f) Starling Anomalies and Espiritu, 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 for consideration of US$250,000 (paid). Upon completion of the staking the Company had 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 per property in three tranches over two years.

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

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

5. MINERAL PROPERTIES (Continued)

f) Starling Anomalies and Espiritu, Mexico (Continued)

On June 18, 2007, the Company entered into a subsequent letter agreement (Phase II) with Kootenay, to confirm the Company's participation in optioning further properties under identical terms as the June 21, 2006 agreement.

In the year ended May 31, 2009, the Company elected to proceed with the exploration of six Espiritu properties and abandon its interests in the Starling Anomolies. The Company issued 1,800,000 shares on the Espiritu properties. Before May 31, 2009, the Company also abandoned five Espiritu properties due to poor exploration results.

During the year ended May 31, 2010, the Company issued an additional 100,000 shares with respect to the remaining Espiritu property and has incurred $544,530 of expenditures to date.

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 $54,683 as at May 31, 2010, 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 Sandon 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, 2008	$ 45,399
Accretion expense	4,426
Balance, May 31, 2009	49,825
Accretion expense	4,858
Balance, May 31, 2010	**$ 54,683**

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, 2010:

i) On February 1, 2010, the Company closed a private placement for 15,152,959 flow-through and 6,282,500 non flow-through units priced at $0.065 for gross proceeds of $1,393,305. Each flow through unit consisted of one flow through common share and one non flow through share purchase warrant entitling the holder to purchase one additional share for two years at the price of $0.10 per share. Each non flow through unit consisted of one non flow through common share and one non flow through share purchase warrant entitling the holder to purchase one additional share for five years at a price of $0.10 per share in years one and two, $0.15 per share in year three, and $0.20 per share in years four and five.

ii) On December 10, 2009, the Company closed a private placement for 1,992,000 flow-through units at a price of $0.08 and 11,020,308 non flow-through units priced at $0.065 for gross proceeds of $875,680. Each unit consisted of either one flow-through or non flow-through common share and one non flow-through share purchase warrant entitling the holder to purchase one additional share at a price of $0.10 in the first two years and $0.15 for the next three years.

iii) On November 17, 2009, the Company closed a private placement for 2,500,000 flow-through units priced at $0.065 for gross proceeds of $162,500. Each unit consisted of one flow-through common share and one non flow-through share purchase warrant entitling the holder to purchase one additional share at a price of $0.10 in the first two years and $0.15 for the next three years.

iv) On July 14, 2009, the Company closed a private placement for 9,500,000 flow-through units priced at $0.06 for gross proceeds of $570,000. Each unit consisted of one flow-through common share and one non flow-through share purchase warrant entitling the holder to purchase one additional share for a period of two years at a price of $0.10.

v) On July 13, 2009, the Company closed a private placement for 2,210,000 flow-through and 8,400,000 non flow-through units priced at $0.06 for gross proceeds of $636,600. Each unit consisted of either one flow-through or non flow-through common share and one non flow-through share purchase warrant entitling the holder to purchase one additional share for a period of two years at a price of $0.10.

7. SHARE CAPITAL (Continued)

b) Issued: (Continued)

Year ended May 31, 2010 (continued)

vi) On June 18, 2009, the Company closed a private placement for 1,893,000 flow-through and 200,000 non flow-through units priced at $0.06 for gross proceeds of $125,580. Each unit consisted of either one flow-through or non flow-through common share and one non flow-through share purchase warrant entitling the holder to purchase one additional share for a period of two years at a price of $0.10.

vii) On June 11 and 25, 2009, the Company closed private placements for 11,000,332 flow-through and 2,700,000 non flow-through units priced at $0.06 for gross proceeds of $822,020. Each unit consisted of either one flow-through or non flow-through common share and one non flow-through share purchase warrant entitling the holder to purchase one additional share for a period of two years at a price of $0.10.

viii) The Company incurred $200,226 share issuance costs pursuant to the private placements closed in the year ended May 31, 2010.

Year ended May 31, 2009:

i) On May 22, 2009, the Company closed the first tranche of the private placement 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 unit consisted of either one flow-through or non flow-through common share and one non flow-through 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 a private placement 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 unit consisted of either one flow-through or non flow-through common share and one non flow-through 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 unit consisted of either one flow-through or non flow-through common share and one non flow-through 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 unit consisted of either one flow-through or non flow-through common share and one non flow-through 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 ended May 31, 2009.

c) Share Purchase Warrants

The following is a summary of the changes in warrants up to the period ended May 31, 2010:

	NUMBER OF WARRANTS	EXERCISE PRICES
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 and exercisable at May 31, 2009	54,176,466	
Warrants granted	72,851,099	$ 0.10
Warrants expired	(11,093,333)	$ 0.20
Outstanding at May 31, 2010	115,934,232	

7. SHARE CAPITAL (Continued)

c) Share Purchase Warrants (Continued)

As at May 31, 2010, the following share purchase warrants were outstanding:

TOTAL NUMBER OF WARRANTS	EXERCISE PRICES	EXPIRY DATES
6,115,000	$ 0.20	July 09, 2010
4,650,000	$ 0.25	July 22, 2010
7,105,000	$ 0.25	August 27, 2010
2,112,500	$ 0.25	October 09, 2010
8,975,000	$ 0.10	April 26, 2011
8,947,332	$ 0.10	May 21, 2011
8,333,332	$ 0.10	June 10, 2011
2,093,000	$ 0.10	June 17, 2011
5,367,000	$ 0.10	June 24, 2011
10,610,000	$ 0.10	July 12, 2011
9,500,000	$ 0.10	July 13, 2011
2,500,000	$ 0.10/0.15	November 16, 2011/November 16, 2014
13,012,308	$ 0.10/0.15	December 9, 2011/December 9, 2014
12,638,459	$ 0.10	December 21, 2011
1,500,000	$ 0.10/0.15/0.20	December 21, 2011/December 21, 2012/December 21, 2014
2,514,500	$ 0.10	January 31, 2012
4,782,500	$ 0.10/0.15/0.20	January 31, 2012/January 31, 2012/January 31, 2014
5,178,301	$ 0.10	December 3, 2012
115,934,232		

As at May 31, 2010 the weighted average remaining contractual life of the share purchase warrants was 1.12 years (2009 – 0.97) and the weighted average exercise price was $0.12 (2009 - $0.20).

On November 25, 2009, the Company re-priced warrants that were due to expire on December 3, 2009 from $0.50 to $0.10 per warrant. 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 $143,194 with the following weighted average assumptions: i) exercise price per warrant of $0.10; ii) expected share price volatility of 81.21%; (iii) risk free interest rate of 1.62%; (iv) expected life of 3; and (v) no dividend yield. The expiration date of these warrants was extended to December 3, 2012 in December 2009.

7. SHARE CAPITAL (Continued)

c) Share Purchase Warrants (Continued)

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. 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. These warrants subsequently expired unexercised.

In July 2010, the Company extended the term and reduced the exercise price of 6,115,000 warrants which were set to expire on July 9, 2010. The expiration date was revised to July 9, 2013, and the price was reduced as follows: from $0.20 to $0.10, up to and including July 9, 2011; $0.15 up to and including July 9, 2012; and $0.20 up to and including July 9, 2013.

Subsequent to the year end, a total of 7,105,000 $0.25 warrants due August 27, 2010 expired unexercised.

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.

7. SHARE CAPITAL (Continued)

d) Stock Options (Continued)

The following is a summary of the changes in stock options up to the period ended May 31, 2010 is as follows:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding and exercisable at May 31, 2008	6,679,500	$0.39
Options granted	3,145,000	$0.10
Options cancelled/expired	(677,000)	$0.40
Outstanding and exercisable at May 31, 2009	9,147,500	$0.10
Options granted	8,835,000	$0.10
Options cancelled/expired	(2,626,000)	$0.10
Outstanding at May 31, 2010	15,356,500	$0.10

As at May 31, 2010 the weighted average remaining contractual life of the options was 4.72 years (2009 – 3.39) and the weighted average exercise price was $0.10 (2009 - $0.10).

As of May 31, 2010 there were 15,356,500 options outstanding and exercisable as follows:

NUMBER OF OPTIONS OUTSTANDING	NUMBER OF OPTIONS EXERCISABLE	EXERCISE PRICE	EXPIRY DATES
1,678,500	1,678,500	$ 0.10	May 15, 2011
613,000	613,000	$ 0.10	July 7, 2011
2,065,000	2,065,000	$ 0.10	January 31, 2013
2,615,000	2,615,000	$ 0.10	February 26, 2014
8,385,000	8,385,000	$ 0.10	December 13, 2016
15,356,500	15,356,500		

i) On December 14, 2009, the Company granted 3,300,000 incentive stock options to directors and officers of the Company, and 5,535,000 to employees and consultants for a period of seven years. The fair value of the stock based compensation options was estimated on the date of grant in the amount of $434,600 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.10; ii) expected share price volatility of 93.74% iii) risk free interest rate of 2.56%; iv) expected life of 7 years; and v) no dividend yield. All of the options granted vested immediately.

Included in stock based compensation expense is $162,360 (2008 - $176,072) for options issued to directors and officers.

7. SHARE CAPITAL (Continued)

d) Stock Options (Continued)

ii) 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

iii) 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.

iv) 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.

8. CAPITAL MANAGEMENT

The Company manages its cash, common shares, stock options and warrants as capital (see Note 7). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

8. CAPITAL MANAGEMENT (Continued)

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account.

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, 2010, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	LEVEL	HELD FOR TRADING	LOANS AND RECEIVABLES/ AMORTIZED COST	TOTAL CARRYING VALUE	FAIR VALUE
Financial assets					
Accounts receivable	1	$ -	$ 94,051	$ 94,051	$ 94,051
		$ -	$ 94,051	$ 94,051	$ 94,051
Financial liabilities					
Bank indebtedness	1	$ 51,983	$ -	$ 51,983	$ 51,983
Accounts payable and accrued liabilities	3	-	267,417	267,417	267,417
Accounts payable, related parties	3	-	274,988	274,988	274,988
		$ 51,983	$ 542,405	$ 594,388	$ 594,388

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.

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, currency risk and commodity price risk are considered the most significant.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The carrying values of the Company's accounts payable and accrued liabilities were a reasonable approximation of fair value.

Financial instruments measured at fair value on the balance sheet were made using inputs within the following fair value hierarchy that reflect their significance:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

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, 2010, the Company was exposed to currency risk through the following assets and liabilities denominated in Mexican pesos.

		2010		2009
U.S. Dollars				
Accounts payable and accrued liabilities	**$**	**-**	$	327,366
Mexican Pesos				
Cash	**P**	**16,864**		412,818
Accounts payable and accrued liabilities	**P**	**(47,537)**		(72,783)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

b) Currency Risk (Continued)

Based on the above net exposures at May 31, 2010 and 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 $Nil (2009 - $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 $2,484 (2009 - $2,827) in the Company's loss from operations.

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:

	2010	2009
Due from public companies related by a director in common	**$ -**	$ 40,342
Due to directors and companies with directors in common	**$ (274,988)**	$ (374,692)

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

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

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 period ended May 31, 2010 and 2009:

a) Pursuant to a management agreement contract with Hastings Management Corp. ("Hastings"), a private company controlled by a director, the Company was charged $750,000 (2009 - $705,000) during this period. 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; 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, 2010, a total of $217,189 (2009 - $17,437) was owed to Hastings of which $139,500 was advanced to the Company for a loan due on demand, non-interest bearing, and with no specific terms of repayment.

b) Consulting fees in the aggregate of $287,500 (2009 - $180,600) were paid to directors and officers during the year.

c) At May 31, 2010, the Company owed $57,799 (2009 - $357,255) to directors and public companies with common directors.

11. INCOME TAXES

a) Provision for Income Taxes

The Company's provision for income taxes for the years ended May 31, 2010 and 2009 differs from the amounts computed by applying the statutory income tax rates to the loss before income taxes as a result of the following:

	2010	2009
Statutory combined federal and provincial rate	**29%**	30%
Computed recovery of income taxes at statutory rates	**$ (911,000)**	$ (987,000)
Non-deductible expenses	**129,000**	57,000
Effect of change in tax rate	**-**	(36,000)
Tax benefits recognized	**(317,000)**	(503,000)
	$ (1,099,000)	$ (1,469,000)

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:

	2010	2009
Mineral properties	**$ (2,057,000)**	$ (1,704,000)
Non-capital losses carried forward	**1,766,000**	1,327,000
Cumulative eligible capital deductions	**3,000**	3,000
Capital assets	**157,000**	106,000
Share issue costs	**115,000**	117,000
Net future income tax liabilities	**$ (16,000)**	$ (151,000)

The Company's Canadian non-capital losses begin to expire in 2026 and Mexican non–capital losses begin to expire in 2019. The amounts carried forward for income tax purposes were approximately as follows:

	2010	2009
Canada	**$ 7,066,000**	$ 5,295,000
Mexico	**11,000**	11,000
	$ 7,077,000	$ 5,306,000

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, 2010, the Company renounced $3,322,850 in flow-through share financings. As of May 31, 2010 a balance of $1,018,584 remained to be spent on exploration expenditures on the Company's Canadian exploration properties by December 31, 2010 and $81,413 by December 31, 2011.

12. SUPPLEMENTAL CASH FLOW INFORMATION

a) Non-Cash Investing and Financing Activities:

Year ended May 31, 2010:

715,000 common shares, valued at $51,000, were issued for property acquisition option payments.

12. SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

a) Non-Cash Investing and Financing Activities (Continued)

Year ended May 31, 2009:

2,952,500 common shares, valued at $457,100, were issued for property acquisition option payments.

b) Interest and Income Taxes Paid in Cash:

Interest (Part XII.6 tax) in the amount of $2,369 was paid in the year ended May 31, 2010 and $29,045 was paid in the year ended May 31, 2009.

No income taxes were paid in the years ended May 31, 2010 and 2009.

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, 2010 and 2009 were incurred in Canada and Mexico. Segment disclosure and company-wide information is as follows:

	AS AT AND FOR THE YEAR ENDED MAY 31, 2010		
	CANADA	**MEXICO**	**TOTAL**
Mill and equipment	**$ 941,754**	**$ -**	**$ 941,754**
Mineral properties	**3,198,106**	**653,960**	**13,852,066**
Other assets	**219,819**	**1,366**	**221,185**
	$ 14,359,679	**$ 655,326**	**$ 15,015,005**

	AS AT AND FOR THE YEAR ENDED MAY 31, 2010		
	CANADA	**MEXICO**	**TOTAL**
Operating expense	**$ (2,019,648)**	**$ 70**	**$ (2,019,578)**
Other (expense)/income	**(1,080,543)**	**-**	**(1,080,543)**
Future income tax recovery	**1,099,000**	**-**	**1,099,000**
	$ (2,001,191)	**$ 70**	**$ (2,001,121)**

KLONDIKE SILVER CORP.
SCHEDULE OF MINERAL PROPERTY COSTS
YEARS ENDED MAY 31, 2010 AND 2009

13. SEGMENTED INFORMATION (Continued)

	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)

14. SUBSEQUENT EVENTS

a) In July 2010, the Company closed a private placement for 16,200,000 units at a price of $0.05 per unit for total proceeds of $810,000. Each flow through unit consisted of one flow through common share and one non flow through share purchase warrant entitling the holder to purchase one additional common share for two years at a price of $0.10 per share. Each non flow through unit consisted of one non flow through common share and one non flow through share purchase warrant entitling the holder to purchase one additional common share for five years at a price of $0.10 per share in years one and two, $0.15 per share in year three, and $0.20 per share in years four and five. For this private placement, commission was paid in the amount of $40,800.

b) $150,000 was advanced to the Company by a company controlled by a director as a subscription advance for the next private placement to be completed by the Company.

c) The Company extended the term and reduced the exercise price of 6,115,000 warrants which currently expire on July 9, 2010. The expiration date will be extended for an additional three years, expiring on July 9, 2013. The warrant exercise price is amended to $0.10 up to and including July 9, 2011, $0.15 up to and including July 9, 2012, and $0.20 up to and including July 9, 2013.

d) The Company extended the term and reduced the exercise price of 4,650,000 warrants which currently expire on July 25, 2010. The expiration date will be extended for an additional three years, expiring on July 25, 2013. The warrant exercise price is amended to $0.10 up to and including July 25, 2011, $0.15 up to and including July 25, 2012, and $0.20 up to and including July 25, 2013.

14. SUBSEQUENT EVENTS (Continued)

e) On September 22, 2010, the Company received a $400,000 loan from a private company owned by a significant shareholder of the Company. The loan bears interest at 10% per annum, compounded monthly, and is payable together with the outstanding principal no later than March 21, 2011. As additional consideration, subject to regulatory approval, the Company will issue 800,000 common shares ("Bonus Shares") to the lender at a deemed price of $0.05 per Bonus Share. The loan also provides for a general security agreement over the assets of the Company.

KLONDIKE SILVER CORP.
SCHEDULE OF MINERAL PROPERTY COSTS
YEARS ENDED MAY 31, 2010 AND 2009

	Slocan and Sandon B. Columbia	Kelly Property B. Columbia	Connaught Property Yukon	Stump Property Yukon	Nordling Property Yukon	Hart Property Yukon	Espiritu Property Mexico
Acquisition Costs							
Opening balance-acquisition	$ 689,573	$ -	$ 242,000	$ 123,500	$ 27,500	$ -	$ 53,347
Staking costs	441	-	3,497	-	-	12,145	50,583
Option payments cash	5,000	5,000	-	-	-	-	-
Option payments shares	2,750	-	-	-	-	-	5,500
Administration & net smelter	-	-	-	17,077	-	-	-
Property write off	-	(5,000)	-	-	(27,500)	-	-
	697,764	-	245,497	140,577	-	12,145	109,430
Exploration Costs							
Opening balance-exploration	4,932,716	-	1,204,438	301,894	-	-	15,333
Opening balance-advance	-	-	-	25,248	-	-	-
Exploration advances	12,500	-	-	(25,248)	-	-	-
Amortization	166,287	-	-	-	-	-	-
Consulting	70,907	-	7,140	-	-	-	-
Drilling	99,030	-	32,820	-	-	-	287,533
Equipment repairs	172,514	-	-	-	-	-	-
Fuel	161,061	-	-	-	-	-	-
Geological	243,291	-	33,633	18,771	-	4,098	103,489
Labour and benefits	1,014,291	-	-	-	-	-	-
Line cutting	86,409	-	-	-	-	-	-
Mapping and sampling	96,161	1,449	8,238	7,409	-	188	62,552
Site administration	2,058	-	2,885	430	-	-	75,623
Miscellaneous	94,174	-	-	-	-	-	-
Supplies and maintenance	349,478	-	-	7	-	-	-
Surveying	6,775	-	-	-	-	-	-
Utilities and communications	70,384	-	-	-	-	-	-
Incidental revenue	(288,670)	-	-	-	-	-	-
Property write off	-	(1,449)	-	-	-	-	-
	7,289,366	-	1,289,154	328,511	-	4,286	544,530
Balance, May 31, 2010	$ 7,987,130	$ -	$ 1,534,651	$ 469,088	$ -	$ 16,431	$ 653,960

KLONDIKE SILVER CORP.
SCHEDULE OF MINERAL PROPERTY COSTS
YEARS ENDED MAY 31, 2010 AND 2009

(Continued)

	Milner Property Ontario	Beemer Property Ontario	Lawson Property Ontario	Anvil Silver Ontario	South Bay Ontario	Wigwam Property Ontario	Walsh Silver Ontario	Clagor Property Ontario
Acquisition Costs								
Opening balance-acquisition	$ 89,256	$ 46,776	$ 3,960	$ 84,202	$ 43,000	$ 63,000	$ 41,000	$ 13,600
Staking costs	-	-	-	-	-	-	-	-
Option payments cash	14,000	-	-	10,000	9,500	8,000	8,750	10,000
Option payments shares	3,250	-	-	5,250	1,750	2,250	1,750	3,000
Administration	-	-	-	-	-	-	-	-
Property write off	-	-	-	(99,452)	-	(73,250)	(51,500)	-
	106,506	46,776	3,960	-	54,250	-	-	26,600
Exploration Costs								
Opening balance-exploration	679,651	67,849	154,454	213,004	668	33,950	868	-
Opening balance-advance	-	-	-	-	-	-	-	-
Exploration advances	-	-	-	-	-	-	-	-
Amortization	-	-	-	-	-	-	-	-
Consulting	-	-	-	-	-	-	-	-
Drilling	-	-	-	-	-	-	-	-
Equipment repairs	-	-	-	-	-	-	-	1,800
Fuel	-	-	-	-	-	-	-	-
Geological	721	3,146	3,771	700	-	250	-	1,475
Labour and benefits	-	-	-	-	-	-	-	-
Line cutting	-	-	-	-	-	-	-	7,588
Mapping and sampling	-	-	-	-	-	-	-	-
Site administration	36,000	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Supplies and maintenance	-	906	-	-	-	-	-	1,676
Surveying	-	-	-	-	-	-	-	-
Utilities and communications	-	-	-	-	-	-	-	-
Incidental revenue	-	-	-	-	-	-	-	-
Property write off	-	-	-	(213,704)	-	(34,200)	(868)	-
	716,372	71,901	158,225	-	668	-	-	12,539
Balance, May 31, 2010	$ 822,878	$ 118,677	$ 162,185	$ -	$ 54,918	$ -	$ -	$ 39,139

KLONDIKE SILVER CORP.
SCHEDULE OF MINERAL PROPERTY COSTS
YEARS ENDED MAY 31, 2010 AND 2009

(Continued)

	Haultain Property Ontario	Maralgo Property Ontario	Nickel South Group Ontario	Reeves Lake Ontario	Total
Acquisition Costs					
Opening balance-acquisition	$ 285,088	$ 73,500	$ 113,500	$ 17,500	$ 2,010,302
Staking costs	-	-	38,710	-	105,376
Option payments cash	10,000	7,000	17,500	12,500	117,250
Option payments shares	7,125	7,125	11,250	-	51,000
Administration	-	-	-	-	17,077
Property write off	-	-	(163,460)	-	(420,162)
	302,213	87,625	17,500	30,000	1,880,843
Exploration Costs					
Opening balance -exploration	1,527,586	13,561	390,605	-	9,536,577
Opening balance-advance	-	-	-	-	25,248
Exploration advances	-	-	-	-	(12,748)
Amortization	-	-	-	-	166,287
Consulting	-	-	-	-	78,047
Drilling	-	-	-	-	419,383
Equipment repairs	-	-	-	-	174,314
Fuel	-	-	-	-	161,061
Geological	2,525	-	11,074	-	426,944
Labour and benefits	-	-	-	-	1,014,291
Line cutting	-	-	-	-	93,997
Mapping and sampling	-	-	-	-	175,997
Site administration	12,000	-	-	-	128,996
Miscellaneous	-	-	-	-	94,174
Supplies and maintenance	-	-	-	-	352,067
Surveying	-	-	-	-	6,775
Utilities and communications	-	-	-	-	70,384
Incidental revenue	-	-	-	-	(288,670)
Property write off	-	-	(401,679)	-	(651,901)
	1,542,111	13,561	-	-	11,971,223
Balance, May 31, 2010	$ 1,844,324	$ 101,186	$ 17,500	$ 30,000	$ 13,852,066

KLONDIKE SILVER CORP.
SCHEDULE OF MINERAL PROPERTY COSTS
YEARS ENDED MAY 31, 2010 AND 2009

(Continued)

	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
YEARS ENDED MAY 31, 2010 AND 2009

(Continued)

	Alaska North Mexico	Alaska South Mexico	San Dimas Mexico	Mina Grande Mexico	San Luis Mexico	Wigwam Property Ontario	Nickel South Group 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	388,236	-	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	-	1,188	-	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	1,181	-	12,000
Utilities and communications	-	-	-	-	-	-	-	-	-
Property write off	(141,681)	(76,060)	(47,296)	(73,159)	(55,303)	-	-	-	-
	-	-	-	-	-	33,950	390,605	-	1,527,587
Balance, May 31, 2009	$ -	$ -	$ -	$ -	$ -	$ 96,950	$ 504,105	$ 17,500	$ 1,812,675

KLONDIKE SILVER CORP.
SCHEDULE OF MINERAL PROPERTY COSTS
YEARS ENDED MAY 31, 2010 AND 2009

(Continued)

	Maralgo Property Ontario	Beemer Property Ontario	Lawson Property Ontario	Anvil Silver Ontario	South Bay 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	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	-	-	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	-	-	-	3,749	-	89,409
Utilities and communications	-	-	-	35,219	-	-	-	-	65,552
Property write off	-	-	-	-	-	-	-	-	1,505,128)
	13,561	67,848	154,454	213,004	668	868	679,653	-	9,561,824
Balance, May 31, 2009	$ 87,061	$ 114,624	$ 158,414	$ 297,206	$ 43,668	$ 41,868	$ 768,909	$ 13,600	$11,572,126