



**ROSS RIVER MINERALS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

## AUDITORS' REPORT

To the Shareholders of  
Ross River Minerals Inc.

We have audited the consolidated balance sheet of Ross River Minerals Inc. as at December 31, 2009 and the consolidated statements of loss, comprehensive loss, deficit, and cash flows for the year 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 audit.

We conducted our audit 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 financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2009 and the consolidated results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2008 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their audit report dated September 10, 2009.



Saturna Group Chartered Accountants LLP

Vancouver, Canada

April 27, 2010

**ROSS RIVER MINERALS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in Canadian dollars)

	December 31, 2009 \$	December 31, 2008 \$
<b>ASSETS</b>		
Current Assets		
Cash	5,294	626
Amounts receivable	4,491	9,139
Prepaid expenses	-	5,000
	9,785	14,765
Mineral properties (Note 5)	7,246,680	7,175,022
	7,256,465	7,189,787
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable and accrued liabilities	256,640	234,425
Convertible loan to related party (Note 7)	246,995	241,008
Due to related parties (Note 6)	923,194	656,646
	1,426,829	1,132,079
Shareholders' equity		
Share capital (Note 8)	9,504,109	9,504,109
Contributed surplus (Note 8)	1,727,884	1,727,884
Equity component of convertible loan (Note 7)	81,240	28,108
Share subscriptions received (Note 8)	222,900	139,000
Deficit	(5,706,497)	(5,341,393)
	5,829,636	6,057,708
	7,256,465	7,189,787

Nature and continuance of operations (Note 1)  
Subsequent events (Note 13)

**On behalf of the Board:**

*"Marcus N. Foster"*

Director

*"Robert Jamieson"*

Director

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

**ROSS RIVER MINERALS INC.****CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS, AND DEFICIT**

(Expressed in Canadian dollars)

	Year Ended December 31, 2009 \$	Year Ended December 31, 2008 \$
<b>REVENUES</b>	–	–
<b>OPERATING EXPENSES</b>		
Accounting and audit	54,054	75,894
Administration fees	5,296	12,922
Bad debts	4,190	41,992
Foreign exchange gain	(12,600)	(5,431)
Legal	19,379	62,076
Management fees	150,000	150,000
Rent	26,017	41,204
Salaries and consulting fees	10,623	24,420
Stock-based compensation (Note 8)	–	44,533
Shareholder communications and regulatory fees	21,261	30,404
Travel and promotion	3,030	3,531
	(281,250)	(481,545)
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	26	–
Interest and accretion	(97,916)	(61,846)
Gain on settlement of debt	14,036	–
	(83,854)	(61,846)
Net loss and comprehensive loss for the year	(365,104)	(543,391)
Deficit, beginning of year	(5,341,393)	(4,798,002)
Deficit, end of year	(5,706,497)	(5,341,393)
Basic and diluted loss per common share	(0.01)	(0.01)
Weighted average number of common shares outstanding	45,586,994	45,268,825

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

**ROSS RIVER MINERALS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian dollars)

	Year Ended December 31, 2009 \$	Year Ended December 31, 2008 \$
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(365,104)	(543,391)
Items not affecting cash:		
Accretion of discount on convertible loan	33,831	61,846
Gain on settlement of debt	(14,036)	-
Stock-based compensation	-	44,533
Bad debts	4,190	41,992
Changes in non-cash operating working capital (net)	279,865	181,252
	(61,254)	(213,768)
<b>INVESTING ACTIVITIES</b>		
Mineral property expenditure costs	(123,706)	(55,430)
Option payments received	20,000	-
Proceeds from sale of equipment	32,048	-
	(71,658)	(55,430)
<b>FINANCING ACTIVITIES</b>		
Proceeds from related parties	59,000	120,150
Repayments to related parties	(5,320)	(32,000)
Proceeds from share subscriptions	83,900	19,000
Proceeds from issuance of capital stock	-	160,000
	137,580	267,150
Increase (decrease) in cash	4,668	(2,048)
Cash, beginning of year	626	2,674
Cash, end of year	5,294	626

Supplemental disclosures (Note 11)

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

**ROSS RIVER MINERALS INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Expressed in Canadian dollars)

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Ross River Minerals Inc. (the "Company") was incorporated on June 12, 1996 under the laws of the Province of British Columbia as 521844 B.C. Ltd. The Company changed its name to Ross River Minerals Inc. and completed a reverse take-over on May 22, 2002 whereby the former shareholders of Ross River Gold Ltd. acquired control of the Company through a share-for-share exchange. The Company is listed for trading on the TSX Venture Exchange.

The Company is considered an exploration stage company and is engaged in the acquisition, exploration, and development of mineral resource properties, including interests in various mineral claims located in Alaska and Mexico.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's mineral resource properties have yet to realize a known body of commercial grade minerals. Accordingly, these consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. As at December 31, 2009, the Company has a working capital deficit of \$1,417,044 and an accumulated deficit of \$5,706,497. Management is actively pursuing sources of equity and debt financing.

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	2009	2008
	\$	\$
Working capital deficiency	(1,417,044)	(1,117,314)
Deficit	(5,706,497)	(5,341,393)

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**2. SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries located in Canada and Mexico. All inter-company transactions and accounts have been eliminated upon consolidation.

**Use of Estimates**

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes to the financial statements. Significant financial statement items which involve the use of estimates include the recoverability of mineral property costs, collection of amounts receivable, valuation of stock-based compensation, valuation of convertible loan to related party, and future income tax asset valuation allowances. Actual results could differ from those estimates.

**Cash and cash equivalents**

The Company considers all highly liquid investments with a maturity of three months or less at the time of issuance to be cash equivalents.

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Mineral properties**

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs related to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment in value. These costs will be depleted using the unit-of-production method based on the estimated proven and probable reserves available on the related property following commencement of production.

The amounts shown for mineral properties represent costs, net of write-offs, option proceeds and recoveries, and do not necessarily reflect present or future value. Recoverability of these amounts will depend upon the existence of economically recoverable reserves, the ability of the Company to obtain financing necessary to complete development, and future profitable production.

The Company reviews the carrying values of mineral properties when there are any events or change in circumstances that may indicate impairment. Where estimates of future cash flows are available, an impairment charge is recorded if the estimated undiscounted future net cash flows expected to be generated by the property is less than the carrying amount. An impairment charge is recognized by the amount by which the carrying amount of the property exceeds the fair value of the property.

**Asset retirement obligations**

The Company follows CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at the end of the current period, the Company has not incurred any asset retirement obligations related to the exploration and development of its mineral properties.

**Convertible loan**

The Company classifies the proceeds received from convertible loans into their liability and equity components using the residual value approach. Under the residual value approach, the initial carrying amount of the liability component is determined by the net present value of future cash flows using the effective interest rate method, and the remaining portion is allocated to the equity component.

**Foreign currency translation**

The accounts of the Company's integrated foreign subsidiary are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the rate in effect at the balance sheet date. Non-monetary assets and liabilities and revenues and expenses are translated at historical rates, and revenue and expense items are translated at the rates prevailing on the respective transaction dates. Exchange gains or losses are included in the consolidated statements of operations.

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Financial instruments**

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except 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.

The Company classified its cash as held for trading. Receivables are classified as loans and receivables and accounts payables and accrued liabilities, amounts due to related parties, and convertible loan to related party are classified as other liabilities.

**Loss per share**

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. As the Company has recorded a loss in each of the periods presented, basic and diluted loss per share are the same since the exercise of warrants or options would reduce the loss per share.

**Income taxes**

The Company follows the asset and liability method of accounting for income taxes. Future income taxes assets and liabilities are recognized for the estimated future tax consequences attributable to the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences") and loss carry forwards. When necessary, a valuation allowance is recorded to reduce income tax assets to an amount where realization is more likely than not. Future income tax assets and liabilities are measured using enacted or substantively enacted tax laws and rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is recognized in the period that included the date of enactment or substantive enactment.

**Comprehensive loss**

Section 1530 establishes standards for the reporting and display of comprehensive income. The Company does not have any items representing comprehensive income/loss.

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Stock-based compensation**

The Company recognizes stock-based compensation expense in accordance with CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". When stock or stock options are issued to employees, compensation expense is recognized based on the fair value of the stock or stock options issued on the date of grant, over the vesting period of the stock or stock options. Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. On the exercise of stock options, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

**Reclassifications**

Comparative figures have been reclassified to conform to the presentation standards used in the current year.

**3. RECENT ACCOUNTING PRONOUNCEMENTS**

The Company adopted the following new accounting policies during the year:

(i) Goodwill and intangible assets

The Company has adopted the Canadian Institute of Chartered Accountants Handbook standard 3064 ("Section 3064") *Goodwill and Intangible Assets* for its fiscal year beginning January 1, 2009. This section replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in *Section 3062*. The adoption of this section has had no significant impact on the Company's consolidated financial statements.

(ii) Credit risk and the fair value of financial assets and financial liabilities

On January 20, 2009, the Emerging Issues Committee ("EIC") of the Canadian Accounting Standards Board ("AcSB") issued EIC Abstract 173, *Credit Risk and Fair Value of Financial Assets and Financial Liabilities* ("EIC 173"), which establishes that an entity's own credit risk and the credit risk of the counterparty, should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 should be applied retrospectively without restatement of prior years to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this section has had no significant impact on the Company's consolidated financial statements.

**3. RECENT ACCOUNTING PRONOUNCEMENTS** (continued)

(iii) Mining exploration costs

In March 2009, the Company adopted CICA issued EIC Abstract 174 – *Mining Exploration Costs* which amends EIC-126 – *Accounting by Mining Enterprises for Exploration Costs*, to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs are required. The adoption of this section has had no significant impact on the Company's consolidated financial statements.

(iv) Financial instruments

In June 2009, the AcSB issued an amendment to CICA Handbook Section 3862, "Financial Instruments – Disclosures", to provide improvements to fair value and liquidity risk disclosures. The amendment applies to the Company's fiscal year ending December 31, 2009. The standard requires the Company to categorize its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement. Level one includes unadjusted quoted prices in active markets for identical assets and liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

The following accounting policies will be implemented in future periods:

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

In addition to the above new accounting pronouncements the Canadian Accounting Standards Board ("AcSB") in 2006 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 International Financial Reporting Standards ("IFRS") over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for 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 December 31, 2010.

The Company has begun to evaluate the impact of IFRS on its financial accounting and reporting systems. The Company has appointed internal staff to lead the IFRS conversion process and prepare a diagnostic analysis that identifies the differences between our current accounting policies and IFRS.

The Company will begin to design and build an IFRS framework, which includes decisions on available accounting policy choices, formulate policy positions and execution and roll-out of communications strategy. Once the design and build phase is complete, the Company will move to the implement and review phase which includes preparation of an IFRS opening balance sheet, compilation of comparative data, preparation of quarterly financial statements and disclosures, preparation of annual financial statements and disclosures, monitoring how IFRS evolves, conducting post implementation review and communicating ongoing requirements.

**3. RECENT ACCOUNTING PRONOUNCEMENTS** (continued)

(vi) Business combinations, non-controlling interest and consolidated financial statements

In January 2009, the CICA issued Handbook Section 1582 *Business Combinations*, 1601 *Consolidated Financial Statements* and 1602 *Non-controlling Interests* which replace CICA Handbook Sections 1581 *Business Combinations* and 1600 *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

**4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT**

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, price risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

**Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its resource interest projects in Mexico to commercial production.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of cash and cash equivalents, and equity comprised of issued capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements, and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2008.

**Fair values**

The fair values of financial instruments, which include cash, amounts receivable, accounts payable and accrued liabilities, amounts due to related parties, and convertible loan to a related party approximate their carrying values due to the relatively short-term maturity of these instruments.

As at December 31, 2009, the fair value of financial instruments measured on a recurring basis includes cash determined based on level one inputs, consisting of quoted prices in active markets for identical assets.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

**ROSS RIVER MINERALS INC.**  
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FOR THE YEAR ENDED DECEMBER 31, 2009  
(Expressed in Canadian dollars)

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**4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT** (continued)

**Credit risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

The majority of the Company's cash is held with a major Canadian based financial institution. Amounts receivable consists mainly of goods and services tax refunds from the federal government of Canada.

**Foreign exchange rate and interest rate risk**

The Company's functional currency is the Canadian dollar. However, the Company is exposed to the currency risk related to the fluctuation of the foreign exchange rates as some of the Company's operations are located in Mexico. A significant change in the currency exchange rates between the Canadian dollar relative to the Mexican peso could have an effect on the Company's consolidated results of operations, financial position, and cash flows. The Company has not entered into any derivative contracts or hedged its exposure to foreign currency fluctuations, and is not exposed to any significant interest rate risk.

**Price risk**

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

**5. MINERAL PROPERTIES**

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	2009	2008
	\$	\$
El Pulpo – Mexico	5,856,681	5,796,247
Tay-LP - Yukon	1,389,999	1,378,775
	7,246,680	7,175,022

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Details on the Company's mineral property costs are provided in the consolidated schedules of mineral property costs.

**ROSS RIVER MINERALS INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Expressed in Canadian dollars)

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**5. MINERAL PROPERTIES** (continued)

El Pulpo Project- Mexico

On April 10, 2003, the Company entered into an option agreement to acquire up to a 60% interest in two mineral titles located in the State of Sinaloa, Mexico (the "El Pulpo Project") for the issuance of 425,000 common shares (225,000 shares issued) and exploration expenditures of \$2,000,000 (incurred) by 2008. Additional properties contiguous to the two mineral titles were staked and are subject to the terms of the agreement.

On June 3, 2004, the Company acquired a 100% interest in one mineral claim in exchange for US\$10,000 and the issuance of 15,000 common shares (issued). The vendor retained a 1% Net Smelter Return ("NSR") royalty on the property, which may be purchased by the Company for US\$300,000.

On December 21, 2004, the Company entered into an agreement to acquire 100% of the right, title and interest in the El Pulpo Project and accordingly, the original option agreement signed in April 2003 was terminated. Under the terms of the new El Pulpo agreement, the Company was required to issue 2,200,000 common shares (issued). Furthermore, if total exploration expenditures exceeded US\$10,000,000, the Company will issue a further 1,000,000 common shares to the optionor. If a positive bankable feasibility study recommends commercial production on any part of the property, the Company will issue a further 1,000,000 common shares and the optionor retains a 2% NSR royalty which may be reduced to 1% for consideration equal to the fair market value as determined by an internationally recognized engineering firm mutually acceptable to both parties.

On February 16, 2005, the Company entered into an option agreement to acquire a 100% interest in two mineral claims in exchange for US\$130,000, subject to the following terms:

- US\$16,000, upon execution of the agreement (paid);
- US\$1,500 per month, payable monthly on the 15<sup>th</sup> of each month (US\$44,000 paid to date); and
- All remaining balances to be paid by November 15, 2008.

The optionor retained a 1% NSR royalty which may be purchased by the Company for US\$300,000. During the year ended December 31, 2008, the Company elected not to proceed with the option.

Tay-LP project - Yukon

On June 14, 1999, and amended on July 25, 2003, Ross River Gold Ltd., ("RRG") a wholly-owned subsidiary of the Company, entered into an option agreement to acquire a 100% undivided interest in certain quartz claims located in the Yukon Territory (the "Tay-LP Claims"). Under the terms of the option agreement, the Company paid \$20,000 and the issuance of \$200,000 of common share to acquire the claims and was committed to exploration expenditures of \$1,000,000. The Tay-LP Claims are subject to a 2.5% NSR royalty, which can be purchased from the optionor for \$3,000,000, and the payment of annual pre-production costs of \$25,000 payable in either cash or common shares at the Company's discretion. As at December 31, 2009, the Company has fulfilled all obligations with respect to the Tay-LP Claims.

On May 31, 2000, and amended on June 15, 2004, RRG entered into an option agreement to acquire a 70% interest in certain additional claims contiguous to the Tay-LP Claims (the "RAM Claims") in exchange for the issuance of 240,000 common shares and incurring exploration expenditures of \$500,000 before April 1, 2008. The vendor retained a 2% NSR royalty on the RAM Claims. On December 18, 2007, the amended option agreement dated June 15, 2004 was terminated and replaced with a new agreement that allowed the Company to acquire a 100% interest of the RAM Claims for the issuance of 100,000 common shares with a fair value of \$9,000.

**ROSS RIVER MINERALS INC.**  
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(Expressed in Canadian dollars)

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**5. MINERAL PROPERTIES** (continued)

Tay-LP project – Yukon (continued)

On August 24, 2009, the Company optioned the Tay-LP Claims and the RAM Claims to Canarc Resource Corp. ("Canarc"). Under the option agreement, Canarc can acquire a 100% interest in the Tay-LP and RAM Claims in exchange for \$1,000,000 payable in cash and/or common shares, and a commitment to incur a minimum of \$1,500,000 in exploration expenditures over a three-year period from the date of the option agreement. Alternatively, Canarc can earn a 51% interest in the properties for \$150,000 and a commitment to minimum exploration expenditures of \$900,000 over a two-year period from the date of the option agreement ("Stage 1 option") and issue a further \$850,000 in cash and/or common shares subsequent to the two-year period ("Stage 2 option"). Canarc has the option to decline not to proceed with the Stage 2 option of which the Company will retain the remaining 49% interest in the Tay-LP and RAM Claims.

Upon acquisition of the properties, Canarc can commission a technical report on the property, of which Canarc will pay a bonus payment to the Company of \$1 per ounce of any proven or probable reserves on the property.

**6. RELATED PARTY TRANSACTIONS**

	2009	2008
	\$	\$
Working capital advances and accrued interest	386,351	319,169
Management fees	378,600	221,100
Legal services	132,243	112,377
Shareholder loan	26,000	4,000
	923,194	656,646

During the year ended 2009, the Company entered into the following transactions with related parties not disclosed in other notes in the financial statements:

- Management fees of \$150,000 (2008 - \$150,000) to a company controlled by a director of the Company.
- Legal fees of \$18,717 (2008 - \$61,478) to a legal firm where a director of the Company is a partner.
- Interest expense of \$76,490 (2008 - \$61,486) to a director of the Company.
- Pre-production royalty costs of \$5,000 (2008 - \$5,000) to a director of the Company.
- Rent and administrative fees recoveries of \$4,190 (2008 - \$41,608) from a company with common directors, of which \$nil was received subsequent to year end. Due to the uncertainty of collection of the prior year and current year amounts owing, an allowance has been provided of \$4,190 (2008 - \$23,432).

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

**ROSS RIVER MINERALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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(Expressed in Canadian dollars)

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**7. CONVERTIBLE LOAN TO RELATED PARTY**

On February 9, 2007, the Company converted a \$200,000 demand loan payable to a director of the Company into a convertible loan. Under the terms of the convertible loan, the amount was unsecured, due interest at 10% per annum compounded monthly, due for a one-year period from the date of issuance, and convertible into common shares at a rate of \$0.12 per common share. On December 6, 2007, the convertible loan was amended to extend the repayment date to December 31, 2008. On December 28, 2008, the convertible loan was amended to extend the repayment date to April 30, 2009. On April 29, 2009, the convertible loan was amended to change the conversion rate from \$0.12 per common share to \$0.05 per common share and extend the repayment date to December 31, 2009. On December 23, 2009, the convertible loan was amended to extend the repayment date to December 31, 2010.

The convertible loan is being recorded using the residual method where the loan has been bifurcated into a debt component and an equity component comprised of the conversion feature embedded within the liability. The discount rate used to calculate the fair value of the debt and equity components is 18% per annum.

As at December 31, 2009, the equity component of the convertible loan was \$81,240 (2008 - \$28,108) and accrued interest was \$66,801 (2008 - \$41,496).

**8. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

	Number of Shares	Amount \$	Contributed Surplus \$
Authorized			
Unlimited common shares, without par value			
Issued			
Balance, December 31, 2007	43,736,994	9,324,109	1,682,131
Issued for non-brokered private placement	1,600,000	160,000	-
Issued for mineral properties	250,000	20,000	-
Stock-based compensation	-	-	45,753
Balance, December 31, 2008 and 2009	45,586,994	9,504,109	1,727,884

On January 17, 2008, the Company issued 1,600,000 units at \$0.10 per unit for proceeds of \$160,000 of which \$120,000 was received as of December 31, 2007. Each unit consisted of one common share of the Company and one-half share purchase warrant granting the holder to acquire one additional common share \$0.15 per share expiring on January 17, 2009.

During the year ended December 31, 2008, the Company issued 250,000 common shares with a fair value of \$20,000 to settle annual pre-production costs for the Tay-LP Claims as noted in Note 5.

As at December 31, 2009, the Company received \$222,900 (2008 - \$139,000) in share subscriptions for a private placement consisting of 10,000,000 units at \$0.05 per unit for proceeds of \$500,000. Each unit will consist of one common share and one share purchase warrant granting the holder to purchase one additional common share of the Company at \$0.10 per common share for the first six months after the date of close, and \$0.15 per share for the following eighteen months thereafter. The Company will pay a finders' fee of 8%. Refer to Note 13.

**ROSS RIVER MINERALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
(Expressed in Canadian dollars)

**9. STOCK OPTIONS**

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers, directors, employees and consultants. The Company at no time may have more than 20% of the outstanding issued common shares reserved for incentive stock options granted to any one individual. Options granted under the plan will have a term not to exceed five years, have an exercise price equal to the market price on the date of the grant and be subject to vesting in equal quarterly tranches over a period of not less than eighteen months.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	2009		2008	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding, beginning of year	1,850,000	0.20	3,125,000	0.21
Cancelled/expired	(175,000)	0.22	(1,275,000)	0.22
Outstanding, end of year	1,675,000	0.20	1,850,000	0.20
Options exercisable, end of year	1,675,000	0.20	1,850,000	0.20

The following stock options were outstanding at December 31, 2009:

Number of Options	Exercise Price \$	Expiry Date
500,000	0.36	August 29, 2010
75,000	0.34	November 22, 2010
1,100,000	0.12	April 26, 2012
1,675,000		

The weighted average remaining contractual life of the outstanding stock options is 1.10 years.

**ROSS RIVER MINERALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
(Expressed in Canadian dollars)

**10. SHARE PURCHASE WARRANTS**

Warrant transactions and the number of warrants outstanding are summarized as follows:

	2009		2008	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Outstanding, beginning of year	800,000	0.15	3,547,500	0.15
Expired	(800,000)	0.15	(3,547,500)	0.15
Granted	–	–	800,000	0.15
Outstanding, end of year	–	–	800,000	0.15

**11. SUPPLEMENTAL DISCLOSURES**

	2009 \$	2008 \$
Supplemental disclosures:		
Income taxes	–	–
Interest	–	–
Non-cash investing and financing activities:		
Mineral property expenditures included in accounts payable	85,994	45,660
Mineral property expenditures included in stock-based compensation	–	1,220
Shares issued pursuant to mineral property option agreement	–	20,000

**12. INCOME TAXES**

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise future tax assets and liabilities, are as follows:

	Year ended December 31, 2009 \$	Year ended December 31, 2008 \$
Canadian statutory income tax rate	30.00%	31.00%
Income tax recovery at statutory rate	(109,531)	(168,452)
Tax effect of:		
Permanent differences and other	90,433	(7,966)
Change in enacted tax rates	(14,666)	403
Expiry of non-capital losses	142,694	–
Change in valuation allowance	(108,930)	176,015
Future income tax provision	–	–

**ROSS RIVER MINERALS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**  
(Expressed in Canadian dollars)

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**12. INCOME TAXES**

The significant components of future income tax assets and liabilities are as follows:

	December 31, 2009 \$	December 31, 2008 \$
Future income tax assets		
Non-capital losses carried forward	2,608,813	2,688,182
Resource pools	(1,496,357)	(1,478,152)
Property and equipment	31,756	33,661
Share issuance costs	3,380	12,831
Valuation allowance	(1,147,592)	(1,256,522)
Net future income tax asset	-	-

As at December 31, 2009, the Company has non-capital losses carried forward of \$9,739,575, which are available to offset future years' taxable which will expire through 2029.

**13. SUBSEQUENT EVENTS**

- a) Subsequent to December 31, 2009, the Company closed the first tranche of its private placement by issuing 5,578,000 units for gross proceeds of \$278,900, of which \$222,900 were received as at December 31, 2009. Each unit consisted of one common share and one share purchase warrant which entitles the holder to purchase one additional common share at \$0.10 per common share at the date of issuance and at \$0.15 for a period of eighteen months from the issuance date.
- b) In March 2010, the Company granted 1,200,000 stock options expiring five years from the grant date to directors, management, and consultants at an exercise price of \$0.05 per share.

**ROSS RIVER MINERALS INC.**  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTY COSTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(Expressed in Canadian dollars)

	Tay – LP \$	El Pulpo \$	Total \$
<i>Acquisition Costs</i>			
Balance – December 31, 2007	554,434	1,618,091	2,172,525
Pre-production payments	25,000	–	25,000
Government and maintenance fees	70	46,912	46,982
Balance – December 31, 2008	579,504	1,665,003	2,244,507
Pre-production payments	25,000	–	25,000
Government and maintenance fees	–	81,645	81,645
Balance – December 31, 2009	604,504	1,746,648	2,351,152
<i>Deferred Exploration Costs</i>			
Balance – December 31, 2007	798,004	4,082,183	4,880,187
Assays	43	332	375
Camp and field costs	–	1,151	1,151
Equipment rental	1,224	–	1,224
Geological consulting	–	750	750
Geophysical and other consulting	–	14,228	14,228
Legal and regulatory	–	5,201	5,201
Miscellaneous	–	7,177	7,177
Salaries and benefits	–	7,405	7,405
Travel and accommodation	–	12,817	12,817
Balance – December 31, 2008	799,271	4,131,244	4,930,515
Equipment rental	1,224	–	1,224
Geological consulting	5,000	–	5,000
Geophysical and other consulting	–	2,847	2,847
Legal and regulatory	–	4,493	4,493
Travel and accommodation	–	3,497	3,497
	805,495	4,142,081	4,947,576
Proceeds from sale of mining equipment	–	(32,048)	(32,048)
Property option payments received	(20,000)	–	(20,000)
Balance – December 31, 2009	785,495	4,110,033	4,895,528
	1,389,999	5,856,681	7,246,680