

**SENNEN RESOURCES LTD.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**APRIL 30, 2010**

**(Unaudited – Prepared by Management)**

**The accompanying unaudited interim consolidated financial statements of Sennen Resources Ltd. for the three months ended April 30, 2010 have been prepared by management and approved by the Board of Directors of the Company. These interim consolidated financial statements have not been reviewed by the Company's external auditors.**

**SENNEN RESOURCES LTD.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
(Unaudited – prepared by management)

	April 30, 2010	January 31, 2010
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	\$ 17,657,109	\$ 17,882,317
Receivables	6,602	32,320
Prepaid expenses	<u>2,112</u>	<u>2,112</u>
	17,665,823	17,916,749
<b>Deferred acquisition costs (Note 3)</b>	<u>85,909</u>	<u>-</u>
	<u>\$ 17,751,732</u>	<u>\$ 17,916,749</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 136,952</u>	<u>\$ 43,848</u>
<b>Shareholders' equity</b>		
Capital stock (Note 5)	15,590,645	15,590,645
Contributed surplus (Note 5)	1,844,284	1,844,284
Retained earnings	<u>179,851</u>	<u>437,972</u>
	<u>17,614,780</u>	<u>17,872,901</u>
	<u>\$ 17,751,732</u>	<u>\$ 17,916,749</u>

**Nature of operations** (Note 1)

**Commitments** (Note 7)

**Subsequent event** (Note 12)

**On behalf of the Board:**

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"Ian Rozier" Director "Douglas B. Hyndman" Director

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

**SENNEN RESOURCES LTD.****INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND  
RETAINED EARNINGS (DEFICIT)  
THREE MONTHS ENDED APRIL 30  
(Unaudited – prepared by management)**

	2010	2009
<b>EXPENSES</b>		
Administration fees	\$ 5,498	\$ 5,038
Consulting fees (Note 4)	45,000	45,000
Directors' fees (Note 4)	15,000	15,000
Foreign exchange loss (gain)	259,234	(1,416,524)
Management fees (Note 4)	30,000	30,000
Office and miscellaneous	4,876	6,821
Professional fees	9,633	20,524
Rent (Note 4)	16,500	16,500
Stock-based compensation (Note 6)	-	738,068
Transfer agent and filing fees	6,483	6,135
Travel and related costs	<u>18,284</u>	<u>30,288</u>
<b>Income (loss) before other item</b>	<b>(410,508)</b>	<b>503,150</b>
<b>OTHER ITEM</b>		
Interest income	<u>152,387</u>	<u>164,189</u>
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<b>(258,121)</b>	<b>667,339</b>
<b>Retained earnings (deficit), beginning of period</b>	<u>437,972</u>	<u>(1,401,653)</u>
<b>Retained earnings (deficit), end of period</b>	<b>\$ 179,851</b>	<b>\$ (734,314)</b>
<b>Earnings (loss) per common share:</b>		
Basic	\$ (0.01)	\$ 0.01
Diluted	(0.01)	0.01
<b>Weighted average number of common shares outstanding:</b>		
Basic	47,998,665	47,998,665
Diluted (Note 5)	47,998,665	48,992,760

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

**SENNEN RESOURCES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED APRIL 30**  
(Unaudited – prepared by management)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ (258,121)	\$ 667,339
Items not affecting cash:		
Stock-based compensation	-	738,068
Interest income accreted	-	(56,936)
Change in non-cash working capital items:		
(Increase) decrease in receivables	25,718	(356,038)
Increase (decrease) in accounts payable and accrued liabilities	93,104	(10,524)
Increase in income taxes payable	<u>-</u>	<u>217,716</u>
Net cash provided by (used in) operating activities	<u>(139,299)</u>	<u>1,199,625</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Deferred acquisition costs	<u>(85,909)</u>	<u>-</u>
Net cash provided by investing activity	<u>(85,909)</u>	<u>-</u>
<b>Change in cash and equivalents during the period</b>	<b>(225,208)</b>	<b>1,199,625</b>
<b>Cash and equivalents, beginning of period</b>	<b><u>17,882,317</u></b>	<b><u>14,023,407</u></b>
<b>Cash and equivalents, end of period</b>	<b>\$ 17,657,109</b>	<b>\$ 15,223,032</b>
<b>Cash and equivalents consists of:</b>		
Cash	\$ 541,382	\$ 261,659
Term deposits	<u>17,115,727</u>	<u>14,961,373</u>
	<b>\$ 17,657,109</b>	<b>\$ 15,223,032</b>

**Supplemental disclosure with respect to cash flows (Note 8)**

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

## **1. NATURE OF OPERATIONS**

Sennen Resources Ltd. (the “Company”) was incorporated under the laws of the Province of British Columbia and its principal business activities include the acquisition and exploration of mineral properties. The Company is in the process of evaluating mineral property opportunities.

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

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for the interim period. Operating results for the three months ended April 30, 2010 are not necessarily indicative of the results that may be expected for the year ending January 31, 2011. These interim consolidated financial statements follow the same accounting policies as the annual consolidated financial statements of the Company, except as noted below. Accordingly, these interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements, and notes thereto, for the year ended January 31, 2010.

### **Recent accounting pronouncements**

#### *International Financial Reporting Standards (“IFRS”)*

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of the Company will be February 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2011. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

#### *Business Combinations*

In January 2009, the CICA issued Handbook Sections 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 accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning January 1, 2011. Early adoption of these Sections is permitted and all these Sections must be adopted concurrently.

## **3. DEFERRED ACQUISITION COSTS**

During the three months ended April 30, 2010, the Company incurred \$85,909 for travel and geological consulting in connection with the acquisition of the La Nava – El Paredon mineral project in Spain. (Note 12).

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. RELATED PARTY TRANSACTIONS**

During the three months ended April 30, 2010, the Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$45,000 (2009 - \$45,000) to a company controlled by a director.
- b) Paid or accrued management fees of \$30,000 (2009 - \$30,000) to a company controlled by an officer.
- c) Paid or accrued rent of \$16,500 (2009 - \$16,500) to a company controlled by a director.
- d) Paid or accrued directors' fees of \$15,000 (2009 - \$15,000) to directors of the Company.

As at April 30, 2010, accounts payable and accrued liabilities included \$10,000 (January 31, 2010 - \$10,000) owing to directors of the Company.

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

**5. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Capital Stock		Contributed Surplus
	Number of Shares	Amount	
Authorized Unlimited common shares without par value			
Balance as at January 31, 2009	47,998,665	\$ 15,590,645	\$ 1,106,216
Stock-based compensation	-	-	738,068
<b>Balance as at January 31 and April 30, 2010</b>	<b>47,998,665</b>	<b>\$ 15,590,645</b>	<b>\$ 1,844,284</b>
		2010	2009
Weighted average number of common shares outstanding		47,998,665	47,998,665
Effect of dilutive stock options		-	994,095
<b>Diluted weighted average number of common shares outstanding</b>		<b>47,998,665</b>	<b>48,992,760</b>

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**6. STOCK OPTIONS AND WARRANTS**

**Stock options**

The Company has a fixed stock option plan that provides for the issuance of options to its directors, officers, employees and consultants enabling them to acquire up to 9,400,000 of the issued and outstanding common stock of the Company. Under the plan, vesting of options shall be at the discretion of the Board and have a maximum term of ten years.

As at April 30, 2010, the Company had incentive stock options outstanding, enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
50,000	\$ 0.20	November 20, 2011
<u>5,650,000</u>	0.17	March 9, 2014
5,700,000		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding as at January 31, 2009	50,000	\$ 0.20
Granted	<u>5,650,000</u>	0.17
Outstanding as at January 31 and April 30, 2010	5,700,000	\$ 0.17
Exercisable as at April 30, 2010	5,700,000	\$ 0.17

**Stock-based compensation**

During the year ended January 31, 2010, the Company granted 5,650,000 stock options with a fair value of \$738,068 or \$0.13 per option, calculated using the Black-Scholes option pricing model. The stock options all vested at time of granting. No stock options were granted during the three months ended April 30, 2010.

The following assumptions were used for the Black-Scholes option pricing model calculation:

	2010
Risk-free interest rate	0.75%
Expected life of options	5 years
Annualized volatility	106%
Dividend rate	0.00%

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**6. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Warrants**

As at January 31, 2010 and April 30, 2010, there were no share purchase warrants outstanding.

**7. COMMITMENTS**

- a) The Company leases office premises under an operating lease with a company controlled by a director. The landlord has the right to increase the annual base rent by 10% on April 1, 2011. The lease provides for basic lease payments as follows:

2011	\$	49,500
2012		66,000
2013		<u>11,000</u>
	\$	<u>126,500</u>

- b) The Company entered into management contracts with companies having a director and officer in common. The Company has agreed to pay the companies a total of \$25,000 per month. The contracts can be terminated by the Company by providing 60 days written notice. If termination of services is without cause, the Company will be obligated to pay 36 months of services to a company controlled by a director and 24 months of services to a company controlled by an officer of the Company.

**8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	2010	2009
Cash paid for income taxes	\$ -	\$ 2,525,110
Cash paid for interest	\$ -	\$ 51,130

There were no significant non-cash transactions for the three months ended April 30, 2010 and 2009.

**9. CAPITAL MANAGEMENT**

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, contributed surplus and retained earnings. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

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

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments. This strategy is unchanged from fiscal 2010.

The Company is not subject to externally imposed capital restrictions.

## **10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **Fair Values**

The fair value of cash and equivalents is measured based on level 1 of the fair value hierarchy.

The fair values of receivables and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

#### **(a) Financial Risk Management**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

#### **(b) Financial Instrument Risk Exposure**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process.

##### *Credit Risk*

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and equivalents and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

##### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

##### *Market risk*

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

#### **(a) Interest rate risk**

The Company has cash and equivalent balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The effect of a 1% change in interest rates is approximately \$172,000.

#### **(b) Foreign currency risk**

The Company is exposed to foreign currency risk on fluctuations in exchange rates in Australian dollars. The effect of a 1% change in foreign exchange is approximately \$172,000.

#### **(c) Price risk**

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

**11. SEGMENTED INFORMATION**

The Company operates in one business segment within Canada, being the acquisition and exploration of mineral properties.

**12. SUBSEQUENT EVENT**

Subsequent to April 30, 2010, the Company announced it had executed a Heads of Agreement providing for an acquisition of an option over the rights to a mineral project in Spain.

The Company has executed a Heads of Agreement to acquire an option over an 80% interest in Minera de Rio Guadiato S.L. (“MRG”), the company that owns the rights to the La Nava-El Paredon mineral project located near Cordoba, Spain.

Under the terms of the agreement, the Company shall be entitled to retain the option (the “MRG Option”) to purchase the MRG Shares for up to four years (the “MRG Option Period”) by paying a total of US\$2,500,000 and issuing a total of 5,000,000 common shares (the “MRG Option Payments”) over the course of the MRG Option Period. The MRG Option Payments are payable as follows:

- (a) US\$200,000 (paid subsequent to April 30, 2010) on execution of the Heads of Agreement;
- (b) US\$300,000 and 1,000,000 common shares to be issued upon receipt of regulatory acceptance to the transaction (“MRG Completion”);
- (c) US\$500,000 to be paid and a further 1,000,000 common shares to be issued 12 months after MRG Completion in order to keep the MRG Option open for a second year;
- (d) US\$700,000 to be paid and a further 1,500,000 common shares to be issued 24 months after MRG Completion in order to keep the MRG Option open for a third year in circumstances where the Company has yet to exercise same.
- (e) US\$800,000 to be paid and 1,500,000 common shares to be issued 36 months after MRG Completion in order to keep the MGR Option open for a fourth year.

In order to exercise the MRG Option, the Company must pay US\$4,000,000 and issue 8,000,000 common shares.

The MRG Option can be exercised at any time after 12 months in lieu of any remaining option payments.

Sennen retains the right of first refusal to acquire the remaining 20% of MRG at any time during the option period.

The Company has received conditional acceptance from the TSX Venture Exchange (the “Exchange”) to the acquisition of MRG Option. Final Acceptance of the MRG Option is subject to the Company satisfying certain filing requirements of Policy 5.3, Section 5 of the Exchange’s corporate finance manual, which requirements include, but are not limited to, securing shareholder approval to the possible creation of a new control person. A finder’s fee is payable by the Company on this transaction in accordance with TSX Venture Exchange guidelines.