

**SENNEN RESOURCES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JANUARY 31, 2010**

## AUDITORS' REPORT

To the Shareholders of  
Sennen Resources Ltd.

We have audited the consolidated balance sheets of Sennen Resources Ltd. as at January 31, 2010 and 2009 and the consolidated statements of operations, comprehensive income (loss) and retained earnings (deficit) 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 January 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.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

May 25, 2010



**SENNEN RESOURCES LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT JANUARY 31**

	2010	2009
<b>ASSETS</b>		
<b>Current</b>		
Cash and equivalents	\$ 17,882,317	\$ 14,023,407
Receivables (Note 3)	32,320	3,610,168
Prepaid expenses	<u>2,112</u>	<u>-</u>
	<u>\$ 17,916,749</u>	<u>\$ 17,633,575</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 43,848	\$ 58,972
Income taxes payable	<u>-</u>	<u>2,279,395</u>
	<u>43,848</u>	<u>2,338,367</u>
<b>Shareholders' equity</b>		
Capital stock (Note 5)	15,590,645	15,590,645
Contributed surplus (Note 5)	1,844,284	1,106,216
Retained earnings (deficit)	<u>437,972</u>	<u>(1,401,653)</u>
	<u>17,872,901</u>	<u>15,295,208</u>
	<u>\$ 17,916,749</u>	<u>\$ 17,633,575</u>

**Nature of operations** (Note 1)

**Commitments** (Note 7)

**Subsequent event** (Note 13)

**On behalf of the Board:**

“Ian Rozier”

Director

“Douglas B. Hyndman”

Director

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

**SENNEN RESOURCES LTD.****CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT)  
YEAR ENDED JANUARY 31**

	2010	2009
<b>EXPENSES</b>		
Administration fees	\$ 57,110	\$ 47,694
Consulting fees	180,000	181,000
Directors' fees	60,000	37,483
Foreign exchange loss (gain)	(2,910,843)	1,790,242
Management fees	155,000	140,000
Office and miscellaneous	29,024	68,959
Professional fees	174,188	203,513
Property investigation costs	-	91,993
Rent	66,000	65,000
Stock-based compensation (Note 6)	738,068	3,731
Transfer agent and filing fees	13,814	18,015
Travel and related costs	<u>69,512</u>	<u>63,788</u>
<b>Income (loss) before other item and income taxes</b>	1,368,127	(2,711,418)
<b>OTHER ITEM</b>		
Interest income	<u>471,498</u>	<u>1,297,693</u>
<b>Income (loss) before income taxes</b>	1,839,625	(1,413,725)
<b>Income tax recovery (Note 11)</b>	<u>-</u>	<u>320,481</u>
<b>Net income (loss) and comprehensive income (loss) for the year</b>	1,839,625	(1,093,244)
<b>Deficit, beginning of year</b>	<u>(1,401,653)</u>	<u>(308,409)</u>
<b>Retained earnings (deficit), end of year</b>	\$ 437,972	\$ (1,401,653)
<b>Earnings (loss) per common share:</b>		
Basic	\$ 0.04	\$ (0.02)
Diluted	0.04	(0.02)
<b>Weighted average number of common shares outstanding:</b>		
Basic	47,998,665	47,210,617
Diluted	49,256,465	47,210,617

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

**SENNEN RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JANUARY 31**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) for the year	\$ 1,839,625	\$ (1,093,244)
Items not affecting cash:		
Stock-based compensation	738,068	3,731
Interest income accreted	-	(331,524)
Change in non-cash working capital items:		
Decrease in receivables	3,577,848	4,330,482
(Increase) decrease in prepaid expenses	(2,112)	582
Decrease in accounts payable and accrued liabilities	(15,124)	(10,155)
Decrease in income taxes payable	<u>(2,279,395)</u>	<u>(3,779,605)</u>
Net cash provided by (used in) operating activities	<u>3,858,910</u>	<u>(879,733)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Capital stock issued for cash	<u>-</u>	<u>699,500</u>
Net cash provided by financing activity	<u>-</u>	<u>699,500</u>
<b>Change in cash and equivalents during the year</b>	3,858,910	(180,233)
<b>Cash and equivalents, beginning of year</b>	<u>14,023,407</u>	<u>14,203,640</u>
<b>Cash and equivalents, end of year</b>	<u>\$ 17,882,317</u>	<u>\$ 14,023,407</u>
<b>Cash and equivalents consists of:</b>		
Cash	\$ 458,728	\$ 461,462
Term deposits	<u>17,423,589</u>	<u>13,561,945</u>
	<u>\$ 17,882,317</u>	<u>\$ 14,023,407</u>

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

The accompanying notes are an integral part of these 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**

### **Adoption of New Accounting Policies**

#### *Goodwill and Intangible Assets*

This new section replaced Section 3062, “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs”. It 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 the previous Section 3062.

The Company adopted this standard effective February 1, 2009, on a prospective basis with no restatement of prior period financial statements. Management adopted this new standard with no material impact on the financial statements of the Company or its business.

#### *Financial instruments – disclosures*

CICA Handbook Section 3862, “Financial instruments – disclosures” was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. 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.

See Note 10 for relevant disclosures.

### **Principles of consolidation**

These consolidated financial statements include the accounts of its wholly-owned subsidiaries Sennen Resources (Barbados) Ltd., Huisan Inc. and Racehorse Investments Inc. All intercompany accounts and transactions have been eliminated on consolidation.

### **Use of estimates**

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of fair value of impairment of assets, receivables, stock-based compensation and income taxes. Financial results as determined by actual events could differ from those estimates.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Foreign currency translation**

The accounts of subsidiaries, which are integrated operations, are translated using the temporal method. Under this method the monetary assets and liabilities of the Company are translated at the rate of exchange at the balance sheet date while non-monetary assets and liabilities are translated at the historical rates of exchange. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations, comprehensive income (loss) and retained earnings (deficit).

**Mineral properties**

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating 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. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral exploration interests is based on cash paid, the value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

**Asset retirement obligations**

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company does not have any significant asset retirement obligations.

**Stock-based compensation**

Stock options and direct awards of stock granted to employees and non-employees are recorded at fair value on the date of grant using the Black-Scholes option pricing model and the associated expense is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

**Earnings (loss) per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For fiscal 2009, this calculation proved to be anti-dilutive.

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Income taxes**

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**Comparative figures**

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

**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. RECEIVABLES**

As at January 31, 2010, receivables consisted of a bank guaranteed receivable of \$Nil (2009 - \$3,567,684) and other receivables of \$32,320 (2009 - \$42,484).

During the year ended January 31, 2008, the Company completed the sale of its interest in the Middlemount project, through the sale of a former subsidiary, for \$13,440,750 (AUD \$15,000,000) of which \$435,800 (AUD \$500,000) was received and included in income in fiscal 2007. During fiscal 2008, the Company received \$4,928,275 (AUD \$5,000,000), during fiscal 2009 received \$4,330,482 (AUD \$4,500,000) and also received bank guarantees for the balance of the proceeds to be received on or before June 21, 2009. During fiscal 2010, the Company received the remaining proceeds.

**SENNEN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 31, 2010**

**4. RELATED PARTY TRANSACTIONS**

During the year ended January 31, 2010, the Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$180,000 (2009 - \$180,000) to a company controlled by a director.
- b) Paid or accrued management fees of \$155,000 (2009 - \$140,000) to a company controlled by an officer.
- c) Paid or accrued rent of \$66,000 (2009 - \$65,000) to a company controlled by a director.
- d) Paid or accrued directors' fees of \$60,000 (2009 - \$37,483) to directors of the Company.

As at January 31, 2010, accounts payable and accrued liabilities included \$10,000 (2009 - \$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			
Issued			
Balance as at January 31, 2008	44,501,165	\$ 14,628,577	\$ 1,365,053
Shares issued for cash	3,497,500	699,500	-
Reclassification of contributed surplus on the exercise of stock options	-	262,568	(262,568)
Stock-based compensation	-	-	3,731
Balance as at January 31, 2009	47,998,665	15,590,645	1,106,216
Stock-based compensation	-	-	738,068
Balance as at January 31, 2010	47,998,665	\$ 15,590,645	\$ 1,844,284
		2010	2009
Weighted average number of common shares outstanding		47,998,665	47,210,617
Effect of dilutive stock options		1,257,800	-
Diluted weighted average number of common shares outstanding		49,256,465	47,210,617

During fiscal 2009, the Company issued 3,497,500 common shares pursuant to the exercise of stock options for proceeds of \$699,500.

**SENNEN RESOURCES LTD.**  
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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 January 31, 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, 2008	5,125,000	\$ 0.20
Exercised	(3,497,500)	0.20
Expired	<u>(1,577,500)</u>	0.20
Outstanding as at January 31, 2009	50,000	0.20
Granted	<u>5,650,000</u>	0.17
Outstanding as at January 31, 2010	5,700,000	\$ 0.17
Exercisable as at January 31, 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. During the year ended January 31, 2009, the Company expensed \$3,731 on previously granted stock options. No stock options were granted during fiscal 2009.

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%

**SENNEN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Warrants**

As at January 31, 2010 and 2009, 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, 2010 and 2011. The lease provides for basic lease payments as follows:

2011	\$ 66,000
2012	66,000
2013	<u>11,000</u>
	<u>\$ 143,000</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 one of the director's company and 24 months of services to a company owned by an officer of the Company.

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

	2010	2009
Cash paid for income taxes	\$ 2,525,110	\$ 3,485,417
Cash paid for interest	\$ -	\$ 51,130

There were no significant non-cash transactions for the year ended January 31, 2010.

The significant non-cash transaction for the year ended January 31, 2009 consisted of the Company reclassifying its long-term receivable of \$3,672,321 to a current receivable.

**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 2009.

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 \$174,000.

#### **(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 \$174,000.

#### **(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.

**SENNEN RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**11. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2010	2009
Income (loss) before income taxes	\$ 1,839,625	\$ (1,413,725)
Expected income tax (recovery)	\$ 550,000	\$ (436,000)
Non-deductible and other items	(649,000)	635,000
Difference in foreign tax rates	44,000	(135,000)
Recognized benefits of non-capital losses	<u>55,000</u>	<u>(384,481)</u>
Current income tax expense (recovery)	\$ -	\$ (320,481)

Details of the Company's future income tax assets are as follows:

	2010	2009
Future income tax assets:		
Mineral properties and deferred exploration costs	\$ 113,000	\$ 109,000
Other items	3,000	3,000
Non-capital loss carryforwards	<u>128,000</u>	<u>35,000</u>
	244,000	147,000
Valuation allowance	<u>(244,000)</u>	<u>(147,000)</u>
Net future income tax assets	\$ -	\$ -

The Company has non-capital losses carried forward of approximately \$510,000 which expire through to 2030. They may be utilized to offset future taxable income. Subject to certain restrictions, the Company also has resource expenditures of approximately \$453,000 available to reduce taxable income in future years. Future tax benefits, which may arise as a result of these losses and resource expenditures have not been recognized in these financial statements and have been offset by a valuation allowance.

**12. SEGMENTED INFORMATION**

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

**13. SUBSEQUENT EVENT**

Subsequent to January 31, 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.

**13. SUBSEQUENT EVENT (cont'd...)**

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 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 and a further 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 Agreement remains subject to the acceptance of the TSX Venture Exchange and a finder's fee is payable by the Company on this transaction in accordance with TSX Venture Exchange guidelines.