

CARLISLE GOLDFIELDS LIMITED

2009 Consolidated Financial Statements

CARLISLE GOLDFIELDS LIMITED

2009 Consolidated Financial Statements

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PALMER REED

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

**To the Shareholders of
Carlisle Goldfields Limited**

We have audited the consolidated balance sheet of Carlisle Goldfields Limited (the "Corporation") as at August 31, 2009 and the consolidated statements of operations, comprehensive loss and 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 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 financial position of the Corporation as at August 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

TORONTO, CANADA

December 31, 2009

Palmer Reed

**Chartered Accountants
Licensed Public Accountants**

CARLISLE GOLDFIELDS LIMITED

Consolidated Balance Sheets

As at August 31

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 48,087	\$ 143,455
Prepaid expenses and deposits	12,960	39,369
	61,047	182,824
Mineral properties and deferred exploration costs (notes 4 and 6)	7,053,066	6,936,558
Field and office equipment (note 5)	8,946	31,091
	\$ 7,123,059	\$ 7,150,473
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 627,650	\$ 220,267
Income taxes payable (note 7)	522,000	302,000
Accrued shareholder claims (note 7(c))	855,000	584,000
	2,004,650	1,106,267
Convertible debenture (note 8(d))	83,205	-
Future income taxes (note 7(b))	582,000	850,000
	2,669,855	1,956,267
Shareholders' equity		
Share capital (note 8(a))	7,001,474	6,404,737
Warrants (note 8(b))	8,673	13,000
Contributed surplus (note 8(c))	189,930	270,530
Subscriptions	-	100,000
Deficit	(2,746,873)	(1,594,061)
	4,453,204	5,194,206
	\$ 7,123,059	\$ 7,150,473

See accompanying notes**On behalf of the Board:**

<i>"Carl McGill"</i>	Director
<i>"Bruce Reid"</i>	Director

CARLISLE GOLDFIELDS LIMITEDConsolidated Statements of Operations, Comprehensive Loss and Deficit
Years ended August 31

	2009	2008
Revenue		
Term deposit interest	\$	\$ 28,552
Operating expenses		
Shareholder claims (note 7(c))	271,000	584,000
Shareholder relations and exchange fees	116,015	261,791
Professional fees	165,481	155,244
General and administrative (note 6)	85,840	154,099
Write-off of receivable from related party (note 6)	-	89,080
Rent and relocation costs	130,390	85,314
Consulting fees (note 6)	228,000	72,250
Stock based compensation (note 8(e))	(93,600)	-
Write-down of mineral property (note 4)	-	70,527
Travel	22,262	59,488
Advertising and promotion (note 6)	4,441	26,690
Equipment rental	1,436	4,970
Financing expense	39,692	-
Amortization	23,445	41,080
	994,402	1,604,533
Net loss before income tax provision	(994,402)	(1,575,981)
Income tax provision (note 7(a))		
Current (note 7(c))	220,000	302,000
Future	(61,590)	(1,026,286)
	158,410	(724,286)
Net comprehensive loss for the year	(1,152,812)	(851,695)
Deficit, beginning of year	(1,594,061)	(742,366)
Deficit, end of year	\$ (2,746,873)	\$ (1,594,061)
Net loss per share	\$ 0.03	\$ 0.02
Weighted average number of shares	44,110,854	38,066,836

See accompanying notes

CARLISLE GOLDFIELDS LIMITED

Consolidated Statements of Cash Flows

Years ended August 31

	2009	2008
Operating activities		
Net loss for the year	\$ (1,152,812)	\$ (851,695)
Items not involving cash		
Write-down of mineral property	-	70,527
Write-off of receivable from related party	-	59,000
Stock based compensation	(93,600)	-
Accretion expense	23,559	-
Amortization	23,445	41,080
Future income taxes	(61,590)	(1,026,286)
Net change in non-cash working capital items		
Prepaid expenses and deposits	26,409	24,591
Accounts payable and accrued liabilities	407,383	160,956
Accrued shareholder claims	271,000	584,000
Income taxes payable	220,000	302,000
Cash flows from operating activities	(336,206)	(635,827)
Investing activities		
Expenditures on mineral properties and deferred exploration costs	(116,508)	(2,447,502)
Purchases of field and office equipment	(1,300)	(3,746)
Cash flows from investing activities	(117,808)	(2,451,248)
Financing activities		
Issuance of common shares (net of cost of share issuance)	229,000	1,855,138
Subscriptions	-	100,000
Issuance of convertible debentures (net of cost of issuance)	129,646	-
Cash flows from financing activities	358,646	1,955,138
Net change in cash and cash equivalents during the year	(95,368)	(1,131,937)
Cash and cash equivalents, beginning of year	143,455	1,275,392
Cash and cash equivalents, end of year	\$ 48,087	\$ 143,455
Cash and cash equivalents consist of:		
Cash	\$ 48,087	\$ 143,455
Short-term investments	-	-
	\$ 48,087	\$ 143,455
Supplemental cash flow information		
Non-cash transactions		
Reduction of (increase in) common shares for income tax effect of flow-through renouncement	\$ 206,000	\$ 717,000
Warrants converted to contributed surplus	13,000	145,730
Future income tax effect of share issue costs	-	80,714
Share issuance costs paid by warrants	-	13,000

See accompanying notes

CARLISLE GOLDFIELDS LIMITED

Notes to Consolidated Financial Statements

Years ended August 31, 2009

1. Nature of operations

Carlisle Goldfields Limited ("Carlisle" or the "Company") was incorporated under the laws of the Province of Ontario on March 15, 2005 under the name AMPX Corporation. On May 19, 2006, AMPX Corporation filed Articles of Amendment changing its name to Carlisle Goldfields Limited. The Company's principal business activity is mineral exploration and mine development operating primarily in Manitoba and Ontario.

2. Going concern

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, under which the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of business. Adverse conditions cast doubt on the validity of the assumption.

The Company is an exploration company and has no revenue to finance its operations. The Company's ability to continue as a going concern is dependent on raising money in the capital markets.

As presented in note 7(c), the Company has been assessed tax and penalties in respect of flow-through share financings and related expenditures. Liabilities in respect of income tax and penalties and related potential shareholder claims have been accrued in the accounts, representing an aggregate liability of \$1,377,000. The Company does not currently have the liquidity to pay these amounts.

Management believes that the Company can continue as a going concern based on the following strategies implemented or pursued by the Company:

- i) The Company expects to receive additional proceeds through private placements;
- ii) The ongoing rate of general and administrative costs has been significantly reduced;
- iii) Exploration activities are temporarily suspended;
- iv) Sufficient additional financing to support the Company through a period of reduced activity can be obtained; and
- v) Forbearance will be granted by Canada Revenue Agency and the shareholders in respect of the matter presented in note 7(c).

Management believes that the use of accounting principles applicable to a going concern is appropriate based on the above strategies pursued. If the going concern assumption is not appropriate then material adjustments may be necessary in the carrying amounts and/or classifications of assets and liabilities in these consolidated financial statements.

3. Summary of significant accounting policies

Principles of consolidation

These consolidated financial statements include the accounts of Carlisle and its wholly-owned subsidiary, 632164 BC Ltd. Effective December 31, 2005, Carlisle acquired 100% of the outstanding common shares of 632164 BC Ltd., a previously inactive company. Following the decision in 2008 to allow the properties held by 632164 BC Ltd. to lapse, this subsidiary became inactive.

CARLISLE GOLDFIELDS LIMITED

Notes to Consolidated Financial Statements
Years ended August 31, 2009

3. Summary of significant accounting policies - continued

Financial instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, accounts payable and accrued shareholder claims. Cash and cash equivalents are classified as held for trading and carried at fair value. The carrying amount included in the balance sheet approximates fair value due to the short-term maturity of these instruments. Accounts receivable, accounts payable and accrued shareholder claims are classified as other loans and receivables and carried at amortized cost. The carrying amount included in the balance sheet approximates amortized cost due to the short-term maturity of these instruments.

It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Mineral properties and deferred exploration costs

The Company is in the exploration stage and defers all expenditures to its mineral properties until such time as the property is put into economical production, sold or abandoned. Under this method, the amounts reported represent costs incurred to date less amounts amortized and/or written-off, and do not necessarily represent present or future values.

If the property is put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the property is sold or abandoned, then the expenditures will be charged to operations. The Company does not accrue the estimated future costs of maintaining, in good standing, its mineral properties.

In the event that reserves are determined, the carrying values of a mineral property interest, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, then the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized is dependent upon the identification of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and to realize profitable production and proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment will be based on current conditions. However, it is possible that changes could occur in the near term, which could adversely affect management's estimates and may result in future write-downs of the capitalized property carrying values.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and all highly liquid short-term investments with original maturities of three months or less.

Field and office equipment

Field and office equipment is amortized on a straight-line basis over the estimated useful life of the asset as follows:

Computer equipment	2 years
Mining equipment	3 years

Years ended August 31, 2009

3. Summary of significant accounting policies - continued

Income taxes

Income taxes are calculated using the liability method. 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. Future income tax liabilities or assets are calculated using substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect of a change in a tax rate is recognized in income in the period that includes the date of enactment or substantive enactment. The recognition of future benefits is limited to the extent that the realization of such benefits is more likely than not.

Flow-through shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. The future income taxes related to the taxable temporary difference that will arise when the qualifying expenditures are incurred are recorded at the time of renunciation, together with a corresponding reduction to the carrying value of the shares issued. If, subsequent to renunciation and recording of the future income tax liability, the renounced expenditures are not made or are not eligible for renunciation, a reduction in the future income tax liability is recorded together with a corresponding future income tax recovery.

Revenue recognition

Interest income is recognized when earned.

Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the year. All outstanding options and warrants are anti-dilutive, and therefore have no effect on the determination of loss per share.

Stock-based compensation plan

The Company has an incentive stock option plan. The Company has adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870 - "Stock Based Compensation and Other Stock Based Payments" to account for stock based transactions with employees, directors and outside consultants. Accordingly, the fair value of stock options is charged to operations with an offsetting credit to contributed surplus. The fair value of stock options which vest immediately is recorded at the date of grant and the fair value of options that vest in the future is recognized on a graded basis over the vesting period. Any consideration received on exercise of stock options together with the related portion of contributed surplus is credited to share capital. The fair value of stock options is assessed using the Black-Scholes Option Pricing Model.

Asset retirement obligations

The Company has adopted CICA Handbook Section 3110 - "Asset Retirement Obligations" which does not have any impact on the consolidated financial statements since there are currently no projects under construction and therefore there is no legal obligation requiring remediation. However, as the development of any project commences, management will assess whether an asset retirement obligation ("ARO") liability will arise. At the point where such liability arises, the financial statement adjustment required will be to increase the project's property value and related ARO liability by the discounted value of the total liability. Thereafter, the Company will be required to record a charge to earnings each year to accrue the discounted ARO obligation amount to the final expected liability.

Years ended August 31, 2009

3. Summary of significant accounting policies - continued

Use of estimates and measurement uncertainty

Estimates by management represent an integral component of financial statements prepared in conformity with Canadian generally accepted accounting principles. The estimates made in these consolidated financial statements reflect management's judgment based on past experiences, present conditions, and expectation of future events. Where estimates were made, the reported amounts for assets, liabilities, revenues and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known at the time these financial statements were prepared.

Recent and future accounting changes

The CICA has recently issued five new accounting standards that impact the Company, as follows:

- (i) On September 1, 2008, in accordance with the applicable transitional provisions, the Company applied the recommendations of Section 1400, "Going Concern" of the Canadian Institute of Chartered Accountants' Handbook. This new section, effective for fiscal years beginning on or after January 1, 2008, requires management to make an assessment of the entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern.
- (ii) On September 1, 2008, in accordance with the applicable transitional provisions, the Company applied the recommendations of Section 1535, "Capital Disclosures". This new section, effective for fiscal years beginning on or after October 1, 2007 describes the required disclosure of the Company's objectives, policies and processes for managing capital, as well as its compliance with any externally imposed capital requirements.
- (iii) Section 3064, Goodwill and Intangibles, effective for fiscal years beginning on or after October 1, 2008. This section establishes standards for identifying, recognizing and measuring intangible assets. It clarifies which expenditures should be recognized as an expense, unless certain recognition criteria are met. Subsequent measurement of intangibles and goodwill has not changed. Management has not yet determined the impact of this new section on the financial statements.
- (iv) On September 1, 2008, in accordance with the applicable transitional provisions, the Company applied the recommendations of Section 3862, "Financial Instruments – Disclosure", and Section 3863, "Financial Instruments – Presentation". These new sections, effective for fiscal years beginning on or after October 1, 2007 require extensive disclosures of financial instruments focusing on their impact on financial position and performance and also on risk of recognized and unrecognized financial instruments
- (v) In February 2008, the Canadian Accounting Standards Board confirmed that public companies will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The Company is currently carrying out the initial IFRS diagnostic to identify the impact of the transition to IFRS on its financial statements.

CARLISLE GOLDFIELDS LIMITED

Notes to Consolidated Financial Statements
Years ended August 31, 2009

4. Mineral properties and deferred exploration costs

	August 31, 2008	Acquisition Cost (Write-down)	Deferred Exploration	August 31, 2009
Lynn Lake Property (Manitoba)	\$ 6,866,944		\$ 116,508	\$ 6,983,452
Goodfish Property (Ontario)	69,614			69,614
	<u>\$ 6,936,558</u>		<u>\$ 116,508</u>	<u>\$ 7,053,066</u>
	August 31, 2007			August 31, 2008
Lynn Lake Property (Manitoba)	\$ 4,420,424		\$ 2,446,520	\$ 6,866,944
Doc Property (British Columbia)	70,527	(70,527)		
Goodfish Property (Ontario)	68,632		982	69,614
	<u>\$ 4,559,583</u>	<u>\$ (70,527)</u>	<u>\$ 2,447,502</u>	<u>\$ 6,936,558</u>

Effective December 31, 2005, Carlisle entered into a Property Acquisition Agreement ("Agreement") to acquire mining interests in various properties located in Manitoba, British Columbia and Ontario. The purchase price was satisfied through the issuance of 8,000,000 common shares at a market value of \$666,667. In addition, the properties are subject to a 1.0 to 3.0% net smelter return royalty.

Under the terms of the Agreement, Carlisle met all the required following transactions on or before December 31, 2006:

- (a) Complete a Going Public Transaction which is defined in the Agreement as either an initial public offering in Canada of Carlisle's common shares or a transaction that provides the holders of common shares with comparable liquidity;
- (b) Raise a minimum of \$2,000,000 prior to or concurrently with the Going Public Transaction which will provide the vendors with a minimum of 25% of the total common shares on a fully diluted basis; and
- (c) Pay \$50,000 within 30 days of completion of the Going Public Transaction.

In addition, Carlisle had incurred the required minimum of \$1,000,000 in expenditures on the properties by February 2007. On satisfaction of the foregoing, the Company earned its interest in the subject properties.

Lynn Lake Properties

The Lynn Lake properties are comprised of a diverse group of 127 gold exploration claims and 184 mining leases in the Lynn Lake Greenstone Belt of Northern Manitoba, covering approximately 20,000 hectares. The Company holds a 100% interest in various groups of properties comprised of 111 mining leases and 107 mining claims covering 16,466 hectares. In addition, the Company holds a 78.03% interest in the Nail-Franklin group of properties comprised of 73 mining leases and 14 mining claims covering 2,820 hectares, and a 50.31 % interest in the Shoe-Lace group of properties comprised of 6 mining claims covering 576 hectares.

Doc Property

The Company held a 100% interest in a gold prospect, consisting of the Eldorado 2 and Eldorado 4 claims totaling 400 hectares in the Unuk River Mineral District, Skeena Mining Division of British Columbia. Title to this property was allowed to lapse in fiscal 2008 and the costs to date were written off.

Goodfish Property

The Company holds a 100% interest in a gold property consisting of 16 patented mining claims covering 245.8 hectares in Morrisette Township, Larder Lake Mining Division, near the town of Kirkland Lake, Ontario.

CARLISLE GOLDFIELDS LIMITED

Notes to Consolidated Financial Statements
Years ended August 31, 2009

5. Field and office equipment

	Cost	2009 Accumulated Amortization	Net
Computer equipment	\$ 59,012	\$ 57,712	\$ 1,300
Mining equipment	38,856	31,210	7,646
	<hr/>	<hr/>	<hr/>
	\$ 97,868	\$ 88,922	\$ 8,946

	Cost	2008 Accumulated Amortization	Net
Computer equipment	\$ 57,712	\$ 46,500	\$ 11,212
Mining equipment	38,856	18,977	19,879
	<hr/>	<hr/>	<hr/>
	\$ 96,568	\$ 65,477	\$ 31,091

6. Related party transactions

These consolidated financial statements include expenditures (either expensed or included with deferred exploration costs) incurred with shareholders, directors and/or companies controlled by them. These transactions have been measured at their exchange amounts, being the amounts agreed upon between the Company and the related parties, and are summarized as follows:

	2009	2008
Mineral properties and deferred exploration costs	-	62,110
General and administrative	-	4,970
Professional fees	113,000	-
Consulting fees	228,000	84,000
	<hr/>	<hr/>
	\$ 341,000	\$ 151,080

Included in accounts payable and accrued liabilities is \$112,600 (2008 - \$20,000) in amounts due to these related parties.

In 2008, the Company expensed \$89,080 representing the amount due from Clarion Mining Limited, a company of which the past president was a director. Of this amount, \$59,000 was recorded as an account receivable at August 31, 2007. Due to the inability of Clarion Mining Limited to arrange financing it was determined by the Company's management that the funds were uncollectible. The receivable was related to shared administrative expenses.

CARLISLE GOLDFIELDS LIMITED

Notes to Consolidated Financial Statements
Years ended August 31, 2009

7. Income taxes

Income tax provision

(a) A reconciliation of income tax recovery at statutory rates is as follows:

	2009	2008
Loss before income taxes	\$ 994,402	\$ 1,575,981
Income tax rate	33.17%	33.50%
Current income tax recovery computed at statutory rates	(329,840)	(527,954)
Tax rate reduction on future tax liability	-	(146,579)
Statutory permanent and temporary differences	9,290	(181,393)
Recovery of future taxes related to flow-through under-spending	169,070	(366,000)
Part XII.6 taxes and penalties (note 7(c))	220,000	302,000
Non-deductible damages accrued for shareholder claims	89,890	195,640
	<u>\$ 158,410</u>	<u>\$ (724,286)</u>

Future income taxes

(b) Details of the Company's future income tax liabilities are as follows:

	2009	2008
Non-capital losses	\$ 945,000	\$ 767,000
Mineral properties	(1,829,000)	(2,195,000)
Share issuance costs	129,000	193,000
Field and office equipment	4,000	19,000
Flow-through under-spending	169,000	366,000
Future income tax liability	<u>\$ (582,000)</u>	<u>\$ (850,000)</u>

The Company has available for deduction against future taxable income non-capital losses of \$3,246,000. The expiration dates of these losses are as follows:

Year	Amount
2016	\$ 200,000
2027	899,000
2028	1,121,000
2029	1,026,000
	<u>\$ 3,246,000</u>

CARLISLE GOLDFIELDS LIMITED

Notes to Consolidated Financial Statements
Years ended August 31, 2009

7. Income taxes - continued

Flow-through shares

- (c) During 2006, the Company raised gross proceeds of approximately \$4.7 million of flow-through share financing from investors (note 8(a)). The gross proceeds of the financing were renounced to the investors as at December 31, 2006 and were to be used by the Company to incur qualifying Canadian exploration expenses by December 31, 2007. However, based on the Company's records, approximately \$1,200,000 of the gross proceeds renounced did not appear to have been used to incur qualifying Canadian exploration expenses by that date. As a consequence, the Company has accrued \$252,000 for Part XII.6 taxes and penalties on the \$1,200,000 shortfall (note 11(a)).

During 2007, the Company raised gross proceeds of approximately \$2.1 million of flow-through share financing from investors (note 8(a)). The gross proceeds of the financing were renounced to investors as at December 31, 2007 and were to be used by the Company to incur qualifying Canadian exploration expenses by December 31, 2008. However, based on the Company's records, it appears that an insufficient amount was spent by the Company on qualifying Canadian exploration expenses by that date. Accordingly, an additional \$70,000 has been accrued to account for Part XII.6 taxes and penalties related to the shortfall.

The company has also accrued \$200,000 in 2009 on account of additional penalties and interest on past tax claims arising from the 2006 and 2007 flow-through financings. In addition, \$855,000 has been accrued for potential claims which may arise as a result of possible reassessments denying personal tax deductions to the investors (notes 11(a) and 11 (b)).

8. Share capital

- (a) Authorized and issued

Authorized

Unlimited common shares
Unlimited special shares, issued in series

	Number	Amount
Issued and fully paid - common		
Balance as at August 31, 2006	16,978,335	\$ 1,099,742
Issued for cash (net)	11,629,961	5,644,828
Conversion of special warrants	4,000,000	792,990
Share issuance costs, net of future	-	(404,945)
Proceeds allocated to warrants	-	(145,730)
Renouncement of future tax benefits	-	(1,902,000)
<hr/>		
Balance, as at August 31, 2007	32,608,296	5,084,885
Issued for cash (net)	7,426,863	2,079,522
Share issuance costs net of future	-	(156,670)
Renouncement of future tax benefits	-	(603,000)
<hr/>		
Balance, as at August 31, 2008	40,035,159	\$ 6,404,737
Issued for cash (net)	4,580,000	222,344
Conversion of debentures	2,333,333	67,983
Exercise of warrants	2,000,000	100,000
Reversal of renouncement of future tax benefits	-	206,410
<hr/>		
Balance, as at August 31, 2009	48,948,492	\$ 7,001,474

CARLISLE GOLDFIELDS LIMITED

Notes to Consolidated Financial Statements
Years ended August 31, 2009

8. Share capital - continued

In September 2006, the Company raised gross proceeds of \$480,000 from the sale of 1,200,000 flow-through shares issued at a price of \$0.40 per share. In fiscal 2007, the Company filed the renunciation documents for these flow-through shares with the tax authorities to renounce the tax benefits associated with the resulting expenditures.

In September 2006, the Company issued 1,146,667 units for \$0.30 per unit amounting to \$344,000. Each unit consisted of one common share and one-half of one common share warrant. Each warrant entitled the holder to acquire one common share at an exercise price of \$0.50. The warrants expired December 31, 2007 and they were valued at \$6,300. A commission was paid by issuing an additional 80,267 warrants valued at \$890.

In December 2006, the Company raised gross proceeds of \$4,216,828 from the sale of 7,666,961 flow-through shares issued at a price of \$0.5504 per share. In fiscal 2007, the Company filed the renunciation documents for these flow-through shares with the tax authorities to renounce the tax benefits associated with the resulting expenditures. A commission was paid by way of 751,252 warrants valued at \$72,050 which are exercisable at \$0.50 until June 30, 2008.

In December 2006, the Company issued 296,000 units for \$0.50 per unit amounting to \$148,000. Each unit consisted of one common share and one-half of one common share warrant. Each warrant entitled the holder to acquire one common share at an exercise price of \$0.85. The warrants expired June 30, 2008 and were valued at \$3,250. A commission was paid by way of 29,600 warrants valued at \$2,850 which were exercisable at \$0.50 until June 30, 2008.

In January 2007, the Company issued 912,000 units for \$0.50 per unit amounting to \$456,000. Each unit consisted of one common share and one-half of one common share warrant. Each warrant entitled the holder to acquire one common share at an exercise price of \$0.85. The warrants expired June 30, 2008 and were valued at \$10,040.

In December 2007, the Company issued 7,426,863 flow-through shares at a price of \$0.28 for gross proceeds of \$2,079,522. In fiscal 2008, the Company filed the renunciation documents for these flow-through shares with the tax authorities to renounce the tax benefits associated with the resulting expenditures. A cash commission was paid of \$224,384 plus 652,686 warrants, valued at \$13,000 which are exercisable at \$0.28 until June 6, 2009.

In December 2008, the Company issued 3,300,000 common shares at \$0.05 per share for gross proceeds of \$165,000.

In addition, in December 2008, the Company issued 1,280,000 units for \$0.05 per unit for gross proceeds of \$64,000. Each unit consisted of one common share and one common share warrant. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.12 until December 5, 2010. The warrants were valued at \$6,656.

In June 2009, the Company issued 2,333,333 units upon conversion of \$70,000 of convertible debentures. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.05 at any time on or before June 4, 2011, two years from the date of conversion.

In July 2009, the Company issued 2,000,000 common shares upon the exercise of 2,000,000 share purchase warrants which had an expiry date of June 4, 2011 and an exercise price of \$0.05 each. Gross proceeds of the exercise of the warrants were \$100,000.

CARLISLE GOLDFIELDS LIMITED

Notes to Consolidated Financial Statements
Years ended August 31, 2009

8. Share capital - continued

(b) Warrants

The Company has the following common share purchase warrants outstanding as at August 31, 2009:

	Number of Warrants	Weighted-Average Exercise Price
Outstanding at August 31, 2007	3,985,769	\$.46
Transactions during 2008		
Expired during the year	(3,985,769)	.46
Issued during the year	652,686	.28
Outstanding at August 31, 2008	652,686	.28
Transactions during 2009		
Issued during the year	3,613,333	.07
Expired during the year	(652,686)	.28
Exercised during the year	(2,000,000)	.05
<u>Outstanding at August 31, 2009</u>	<u>1,613,333</u>	<u>.07</u>

The recorded value of the above noted warrants at August 31, 2009 and 2008 is \$8,673 and \$13,000 respectively.

The fair value of the warrants issued during the year was obtained by calculating at the grant date using the Black-Scholes method and utilizing the following assumptions:

Risk free interest rate	3.75%
Expected dividend yield	0%
Volatility	40%
Expected life	1.5 years

(c) Contributed surplus

Balance, August 31, 2007	\$ 124,800
<u>Warrants expired or exercised during the year and transferred to contributed surplus</u>	<u>145,730</u>
Balance, August 31, 2008	\$ 270,530
Warrants expired or exercised during the year and transferred to contributed surplus	13,000
<u>Stock based compensation reversed on cancellation of stock options</u>	<u>(93,600)</u>
<u>Balance, August 31, 2009</u>	<u>\$ 189,930</u>

(d) Debentures

On June 4, 2009 the Company issued convertible debentures for the subscription of a total principal amount of \$165,000. They are non-interest bearing, unsecured and fall due for repayment on April 3, 2011. Prior to

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Share capital - continued

maturity, the holders have the right to convert these securities into units at a conversion rate of \$0.03 per unit. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant provides the holder with the right to purchase one additional common share at a price of \$0.05 at any time within two (2) years from the date of conversion. These share purchase warrants were valued at the time of financing at a fair value of \$0.00605 each.

The cost of the financing totaling \$35,354 was capitalized as a reduction of the funds raised and will be amortized as financing expense during the term of the loan. As part of the financing costs, broker warrants with a value of \$182 were issued providing the broker with the right to purchase \$13,200 of convertible debentures at any time within two years after closing. The debentures issuable upon exercise of the broker warrants are convertible into 440,000 common shares and 440,000 warrants and each such warrant may be exercised to purchase one common share of the Company for \$0.05 at any time within two years after the date of conversion.

During the year, convertible debentures with a face value of \$70,000 were converted into units. As at August 31, 2009, debentures with a face value of \$95,000 were outstanding at a carrying value of \$83,205 plus the unamortized balance of the capitalized cost of \$11,795.

(e) Stock compensation

During fiscal 2007, the Company issued 1,200,000 incentive stock options to directors at an exercise price of \$0.305 per share. The options expire on April 2012. The fair value of the options granted was estimated using an option-pricing model. Assumptions used in the pricing model are as follows: risk free interest rate of 4%, dividend yield of 0%, volatility of 40% and an expected life of 3.5 years. The fair value of these options was recorded as \$124,800 and this was expensed during fiscal 2007 and credited to contributed surplus. During 2008 and 2009, 900,000 stock options were cancelled, at an exercise price of \$0.305 per share. The related amount was credited to expense and debited to Contributed Surplus.

9. Commitments

The Company has entered into various operating leases for office equipment and premises (note 11(c)). The Company is also responsible for its proportionate share of realty taxes, insurance and maintenance costs of the leased premises. Future minimum lease payments by year are as follows:

2010	\$ 54,092
2011	53,498
2012	22,200
Thereafter	Nil
	<hr/>
	\$ 129,790

10. Segmented information

Management has determined that the Company carries on business in one operating segment only.

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11. Contingent liabilities

(a) 2006 flow-through shares penalty taxes

In addition to the approximate \$1,200,000 shortfall referred to in note 7(c), Canada Revenue Agency has assessed an additional approximate \$500,000 expenditure shortfall for a total shortfall of approximately \$1,700,000. The Company has objected to the additional \$500,000 assessment on the basis that qualifying Canadian exploration expenses were incurred. If the Company is not successful in its objection, there will be an additional \$103,000 of Part XII.6 taxes and penalties and an additional approximate \$240,000 of accrued shareholder claims. As management believes the objection will be successful, these amounts have not been recorded in these financial statements.

(b) 2007 flow-through shares penalty taxes

The Company, as at the balance sheet date, has an approximate shortfall of \$580,000 of qualifying Canadian exploration expenses relating to the \$2.1 million of flow-through financing referred to in note 7(c). Accordingly, \$70,000 of Part XII.6 taxes and penalties and an additional \$271,000 of potential shareholder claims have been accrued.

(c) Premises

The Company leased premises with a term ending in January 31, 2013. During the fiscal year, the Company had difficulties meeting all of the conditions within the lease agreement and the landlord refused further access. Under the terms of the lease the landlord has a potential claim of approximately \$160,000, of which \$30,000 has been accrued.

12. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2009 financial statements. The financial statements as at August 31, 2008 and for the year then ended were audited by another firm of auditors who expressed an opinion without reservation on those statements in their report dated November 17, 2008.

13. Subsequent events

- (a) In October 2009 a debt of \$17,500 was settled with the issue from treasury of 350,000 common shares at a price of \$0.05 per share.
- (b) In November 2009, a \$60,000 principal amount of the outstanding debentures was converted into 2,000,000 units, each unit being comprised of one common share and one common share purchase warrant. All of the warrants were then exercised resulting in the issue of a further 2,000,000 shares at \$0.05 each for gross proceeds of \$100,000.