

**NEW DAWN MINING CORP.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Expressed in United States Dollars)**

**JUNE 30, 2009**

**NEW DAWN MINING CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
(unaudited)  
(Expressed in United States Dollars)

	June 30, 2009	September 30, 2008
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and equivalents	\$ 3,074,895	\$ 4,793,670
Accounts receivable including \$Nil due from Reserve Bank of Zimbabwe (September 30, 2008 - \$367,308) (Note 3)	483,238	571,142
Inventories	1,665,835	1,635,402
Prepaid expenses	<u>510,168</u>	<u>231,427</u>
	<u>5,734,136</u>	<u>7,231,641</u>
<b>Other assets</b>		
Due from the Reserve Bank of Zimbabwe (Note 3)	1,170,994	1,266,150
Property, plant and equipment	8,839,497	9,202,735
Blue Dot Properties (Note 4)	2,000,000	-
Exploration properties and deferred exploration costs (Note 5)	<u>251,798</u>	<u>3,682,723</u>
	<u>\$ 17,996,425</u>	<u>\$ 21,383,249</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Short term bank loan	\$ 250,000	\$ -
Accounts payable and accrued liabilities	938,654	424,800
Loans from minority interest partner (Note 6)	<u>871,901</u>	<u>812,163</u>
	<u>2,060,555</u>	<u>1,236,963</u>
<b>Other liabilities</b>		
Future income tax liability	1,866,549	1,921,549
Reclamation and closure costs obligation (Note 4)	<u>1,159,682</u>	<u>1,002,399</u>
	<u>3,026,231</u>	<u>2,923,948</u>
	<u>5,086,786</u>	<u>4,160,911</u>
<b>Shareholders' equity</b>		
Share capital (Note 7)	5,095,338	5,095,338
Contributed surplus (Note 7)	20,648,048	20,582,903
Deficit	<u>(12,833,747)</u>	<u>(8,455,903)</u>
	<u>12,909,639</u>	<u>17,222,338</u>
	<u>\$ 17,996,425</u>	<u>\$ 21,383,249</u>
<b>Subsequent events (Note 14)</b>		

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

**NEW DAWN MINING CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)  
(Expressed in United States Dollars)

	Three months ended June 30, 2009	Nine months ended June 30, 2009	Three months ended June 30, 2008	Nine months ended June 30, 2008
<b>Sales of gold bullion</b>	\$ 2,865,285	\$ 2,865,285	\$ 1,960,894	\$ 6,474,715
<b>Operating expenses</b>				
Mining and processing costs	1,568,947	2,547,399	1,157,327	4,230,180
Corporate and administrative overhead	574,462	1,454,963	411,473	1,284,065
Amortization and depletion	247,052	518,351	309,152	835,362
Accretion to reclamation and closure costs obligation	10,821	32,461	7,774	23,322
	<u>2,401,282</u>	<u>4,553,174</u>	<u>1,885,726</u>	<u>6,372,929</u>
<b>Operating income (loss) for the period</b>	<u>464,003</u>	<u>(1,687,889)</u>	<u>75,168</u>	<u>101,786</u>
<b>Other income (expenses)</b>				
Impairment charge (Note 4)	(2,559,260)	(2,559,560)	-	-
Foreign exchange gain (loss)	(21,287)	(211,587)	(395,355)	(372,568)
Interest income	3,175	14,470	16,961	67,706
Other income	4,315	11,722	174,914	248,564
	<u>(2,573,057)</u>	<u>(2,744,955)</u>	<u>(203,480)</u>	<u>(56,298)</u>
<b>Income (loss) for the period before income taxes</b>	(2,109,054)	(4,432,844)	(128,312)	45,488
<b>Less: Provision for income taxes</b>	<u>(55,000)</u>	<u>(55,000)</u>	<u>(92,115)</u>	<u>183,638</u>
<b>Net loss for the period</b>	<u>\$ (2,054,054)</u>	<u>\$ (4,377,844)</u>	<u>\$ (36,197)</u>	<u>\$ (138,150)</u>
<b>Basic and diluted loss per share (Note 16)</b>	\$ (0.07)	\$ (0.15)	\$ (0.00)	\$ (0.01)
<b>Weighted average number of common shares outstanding during the period (Note 16)</b>	29,014,690	29,014,690	26,303,528	25,887,527

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

**NEW DAWN MINING CORP.**  
**CONSOLIDATED STATEMENTS OF DEFICIT**  
(unaudited)  
(Expressed in United States Dollars)

	Three months ended June 30, 2009	Nine months ended June 30, 2009	Three months ended June 30, 2008	Nine months ended June 30, 2008
<b>Deficit, beginning of period</b>	\$ (10,779,693)	\$ (8,455,903)	\$ (6,086,790)	\$ (5,984,837)
<b>Net loss for the period</b>	<u>(2,054,054)</u>	<u>(4,377,844)</u>	<u>(36,197)</u>	<u>(138,150)</u>
<b>Deficit, end of period</b>	\$ (12,833,747)	\$ (12,833,747)	\$ (6,122,987)	\$ (6,122,987)

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

**NEW DAWN MINING CORP.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(unaudited)

(Expressed in United States Dollars)

	Three months ended June 30, 2009	Nine months ended June 30, 2009	Three months ended June 30, 2008	Nine months ended June 30, 2008
<b>Net loss for the period</b>	\$ (2,054,054)	\$ (4,377,844)	\$ (36,197)	\$ (138,150)
<b>Other comprehensive income (loss), net of income tax</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Comprehensive loss for the period</b>	<u>\$ (2,054,054)</u>	<u>\$ (4,377,844)</u>	<u>\$ (36,197)</u>	<u>\$ (138,150)</u>

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

**NEW DAWN MINING CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)  
(Expressed in United States Dollars)

	Three months ended June 30, 2009	Nine months ended June 30, 2009	Three months ended June 30, 2008	Nine months ended June 30, 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (2,054,054)	\$ (4,377,844)	\$ (36,197)	\$ (138,150)
Add: Non-cash expenses				
Amortization and depletion	247,052	518,351	309,152	835,362
Accretion expense	10,821	32,461	7,774	23,322
Stock option expense	21,630	65,145	36,619	109,857
Provision for future income taxes	(55,000)	(55,000)	(30,086)	(45,298)
(Gain) on sale of property plant and equipment	(10,065)	(10,065)	(161,422)	(160,226)
Provision for impairment	<u>2,559,260</u>	<u>2,559,260</u>	<u>-</u>	<u>-</u>
	719,644	(1,267,692)	125,840	624,867
Changes in non-cash elements of working capital (Note 8)	(479,141)	292,584	(197,414)	(1,252,776)
Change to non-current amount due from the Reserve Bank of Zimbabwe	<u>-</u>	<u>95,156</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>240,503</u>	<u>(879,952)</u>	<u>(71,574)</u>	<u>(627,909)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to property plant and equipment	(155,554)	(164,448)	(141,689)	(472,799)
Additions to deferred exploration costs	(652,881)	(1,003,513)	(509,953)	(1,153,886)
Proceeds from disposition of property, plant and equipment	<u>19,400</u>	<u>19,400</u>	<u>275,000</u>	<u>283,116</u>
Net cash used in investing activities	<u>(789,035)</u>	<u>(1,148,561)</u>	<u>(376,642)</u>	<u>(1,343,569)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of shares net of issuance costs	-	-	5,040,698	5,040,698
Increase in minority interest partner loan	159,873	59,738	154,334	283,162
Proceeds from short term bank loan	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>159,873</u>	<u>309,738</u>	<u>5,195,032</u>	<u>5,323,860</u>
<b>Change in cash and cash equivalents, during the period</b>	(388,659)	(1,718,775)	4,746,816	3,352,382
<b>Cash and cash equivalents, beginning of period</b>	<u>3,463,554</u>	<u>4,793,670</u>	<u>1,449,185</u>	<u>2,843,619</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 3,074,895</u>	<u>\$ 3,074,895</u>	<u>\$ 6,196,001</u>	<u>\$ 6,196,001</u>

There were no significant non-cash transactions during the periods ended June 30, 2009 and 2008.

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

**1. NATURE OF OPERATIONS**

New Dawn Mining Corp. (the “Company”) is engaged in exploration and development, extraction, processing and reclamation of precious metal deposits. Southern Africa is currently the area of activity with a focus on Zimbabwe. Up to September 30, 2008, gold was produced from the Turk mine in Zimbabwe; on October 3, 2008, the mine was placed on care and maintenance but resumed operations on a development basis on February 26, 2009 and on May 4, 2009 resumed its normal production mode.

The Company has not determined whether all its exploration and development properties contain ore reserves that are economically recoverable. The recoverability of the amount shown for exploration properties and deferred exploration expenses is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing, licenses and permits to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The amounts shown as exploration properties and deferred exploration expenses represent net costs to date, less amounts amortized or written off or both, and do not necessarily represent present or future values.

**2. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICY**

These unaudited interim consolidated financial statements have been prepared in accordance with the accounting policies outlined in the Company’s audited consolidated financial statements for the year ended September 30, 2008.

The unaudited interim consolidated financial statements and related notes have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) for the preparation of interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited consolidated financial statements. In the opinion of management, all adjustments considered necessary have been included. Operating results for the three months and nine month periods ended June 30, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2009. Accordingly, they should be read in conjunction with the Company’s audited consolidated financial statements for the fiscal year ended September 30, 2008.

**Changes in accounting policy**

The Company has adopted the new standard “Goodwill and Intangible Assets” (CICA Handbook Section 3064) for its fiscal year beginning October 1, 2008. 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. These changes clarify that costs may only be deferred when they relate to an item that meets the definition of an asset. The concept of matching revenues and expenses remains appropriate only for allocating the cost of an asset that is consumed in generating revenue over multiple reporting periods. Standards concerning goodwill are unchanged from the standards included in Section 3062. The adoption of this new Section did not have a significant impact on the Company’s consolidated financial statements.

The CICA issued the following new Handbook Sections in January 2009:

**2. BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICY (cont'd...)**

**Future accounting changes**

Section 1582, Business Combinations replacing Section 1581, Business Combinations and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), Business Combinations. The Section applies prospectively to business combinations for which the acquisition date is on or after October 1, 2011. Earlier application is permitted.

Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests, which together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), Consolidated and Separate Financial Statements. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on October 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year.

The Company is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

**International financial reporting standards**

The Canadian Institute of Chartered Accountants has determined that its previous policy of harmonizing Canadian Generally Accepted Accounting Principles ("GAAP") with US GAAP should be abandoned and that, instead, International Financial Reporting Standards (IFRS) should be adopted for public company reporting. All Canadian public companies will be required to report their financial information using IFRS for fiscal years commencing in 2011.

The Company is currently reviewing the changes that will be necessary under these new reporting standards and assessing the effect that adopting the standards will have compared to Canadian GAAP currently being used.

**3. DUE FROM THE RESERVE BANK OF ZIMBABWE**

Up to January 31, 2009, the Company was legally obliged to sell all gold production to the Reserve Bank of Zimbabwe ("RBZ") and was entitled to receive proceeds split between US dollars and Zimbabwe dollars. Although the Zimbabwe dollar portion of the proceeds was paid promptly, the payment of the US dollar component for gold lodged after December 29, 2007 was withheld.

The Monetary Policy Statement issued at the end of January 2009 by the RBZ proposed replacing the amounts payable to all of the country's gold producers by Special Tradable Bonds denominated in US dollars, with an interest rate of 8% and maturing in February 2010. This proposal has been implemented and, subsequent to the period end, the bonds have been issued. Included in the face value of the bonds issued to the Company of \$2,528,760 is interest calculated from the date of lodgment of the gold bar with the agent of RBZ to the date of the Monetary Policy Statement amounting to \$146,266.

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**3. DUE FROM THE RESERVE BANK OF ZIMBABWE (cont'd...)**

There is no certainty that the terms of the bonds will not be varied either as to maturity date, interest or face value amount prior to maturity. Accordingly, all of the amount due from RBZ has been allocated to non-current at June 30, 2009; at September 30, 2008, \$367,308 was included in current assets within the accounts receivable. At the date of the Monetary Policy Statement, the Company was owed the principal amount of \$2,382,494 by the RBZ; no amounts have been realized since that date.

In the year ended September 30, 2008, a discount was applied to the receivable based on the expectation of an extended period before full payment was received. Because of the uncertainty of the value of this asset, the amount of the discount previously recorded (\$1,211,500) has been retained as a provision against the full value of the receivable. Both the additional interest of \$146,266 and the coupon interest attached to the bond will be recorded as interest income on receipt of cash proceeds for the bonds on maturity or future disposition.

The economic environment in Zimbabwe is such that many different outcomes could occur so that assumptions made in estimating fair value of the receivable may or may not be consistent with the actual course of future events.

**4. BLUE DOT PROPERTIES**

	September 30, 2008	Additions (disposals)	June 30, 2009
Blue Dot property			
Balance, beginning of period	\$ -	\$ -	\$ -
Transfer from Exploration Properties and Deferred			
Exploration Costs	-	4,559,260	4,559,260
Provision for impairment	-	(2,559,260)	(2,559,260)
	\$ -	\$ 2,000,000	\$ 2,000,000

A review has been completed on this project, taking into account the recent deteriorating economic conditions together with a strike by the work force initiated subsequent to the period end as well as technical and other operating parameters. The results projected by the review indicated that performance of the mine will not, over the short term, reach the expectations anticipated at the time of acquisition and development of the property

The same considerations that were used in the review have also been used to determine that an impairment condition exists. Accordingly the Company has provided an impairment charge that brings the carrying cost of the property to the estimated fair value. Using this approach, an impairment charge of \$2,559,260 has been recorded at June 30, 2009

Included as part of the reclamation and closure costs obligation on the balance sheet is an amount of \$425,000 representing the full amount for the environmental rehabilitation closure costs of this project.

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**5. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION COSTS**

	September 30, 2008	Additions (disposals)	June 30, 2009
South Africa			
Deferred exploration costs			
Blue Dot property			
Opening balance, beginning of period	\$ 3,493,585	\$ -	\$ 3,493,585
Additions during the period net of revenue from miscellaneous gold sales and including accretion of the rehabilitation provision	-	1,065,675	1,065,675
Transfer out of exploration properties (Note 4)	-	(4,559,260)	(4,559,260)
	<u>3,493,585</u>	<u>(3,493,585)</u>	<u>-</u>
Zimbabwe			
Deferred exploration costs			
Duration joint venture	75,129	-	75,129
Gweru and Shurugwi	<u>114,009</u>	<u>62,660</u>	<u>176,669</u>
	<u>189,138</u>	<u>62,660</u>	<u>251,798</u>
	\$ 3,682,723	\$ (3,430,925)	\$ 251,798

	September 30, 2007	Additions (disposals)	September 30, 2008
South Africa			
Deferred exploration costs			
Blue Dot property	\$ 1,858,564	\$ 1,635,021	\$ 3,493,585
Zimbabwe			
Deferred exploration costs			
Duration joint venture	75,129	-	75,129
Charliesona	160,165	(160,165)	-
Ding Dong	44,472	(44,472)	-
Gweru and Shurugwi	<u>-</u>	<u>114,009</u>	<u>114,009</u>
	<u>279,766</u>	<u>(90,628)</u>	<u>189,138</u>
	\$ 2,138,330	\$ 1,544,393	\$ 3,682,723

**5. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd...)**

South Africa

In August 2006, the Company acquired a 74% interest in the Blue Dot properties consisting of two previously operational mines in the Schweizer Reneke area. From the date of acquisition to June 30, 2009, the Company has incurred \$4,559,260 (to September 30, 2008 – \$3,493,585) on acquisition, exploration and development work offset by proceeds from gold extracted from stock-piled ore from exploration work amounting to \$941,536. Effective June 30, 2009, the property was transferred out of exploration and deferred exploration costs (Note 4)

Up to the end of July 2008, the minority interest shareholder financed, in the form of a loan payable, its 26% share of the work to establish the ore reserves and refurbish the mine, plant and equipment (Note 6).

Zimbabwe

The Company's Duration Joint Venture properties are located in the upper South-West area, north of Bulawayo in Zimbabwe. In addition, the Company has options located in the Gweru and Shurugwi Mining districts located north-east of Bulawayo. The Company has commenced initial evaluation and reconnaissance work of the Shurugwi options and has continued the trenching and sampling campaign on one of the Gweru options.

The resource legislation in Zimbabwe, requires the Company to carry out exploration and development work, but does not give any quantitative limits. Instead, the requirement is that the Company carries out a reasonable amount of work. In the opinion of the management the extent of work completed during both the fiscal year 2008 and the Nine months ended June 30, 2009 was sufficient to meet requirements under legislation to maintain the Company's rights to all of its properties.

**6. LOAN FROM MINORITY INTEREST PARTNER**

The loans from the minority interest partner in the Company's Blue Dot project totalling \$871,901 (September 30, 2008 - \$812,163) consist of the exploration and development loan of \$712,981 and a second loan predating the current exploration work of \$158,920. The loans are repayable in South African Rand.

The minority interest partner agreed to provide its pro-rata 26% share of the capital required to finance the exploration and development work in the form of a loan to the subsidiary with the same terms and conditions as those of the Company in financing its share of the required investment in the project. The loan is non-interest bearing and repayable on September 27, 2009 but is non-recourse and may only be satisfied from the assets of or cash flow generated by the subsidiary.

Subsequent to July 2008, the minority interest partner has been unable to contribute its proportionate share to finance the exploration and development work and so the Company has provided both its share and the minority interest's share of the funding subsequent to August 1, 2008. The change in the amount outstanding on this loan at June 30, 2009, \$712,981, compared to March 31, 2009 and September 30, 2008 (\$582,247 and \$660,947 respectively) is solely due to the effect of the changing exchange rate between the US\$ and the Rand. The amount advanced by the Company in respect of the minority interest partner's pro-rata share is \$368,995 (September 30, 2008 - \$130,241).

A second loan, denominated in South African Rand, in the amount of \$158,920 (September 30, 2008 - \$151,216) is also outstanding to the minority interest partner and is non-interest bearing and has no repayment terms. The loan, which is also a non-recourse loan, has been outstanding for several years without any change other than the effect of changes in the US dollar to South African Rand exchange rate.

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**6. LOAN FROM MINORITY INTEREST PARTNER (cont'd...)**

If the Blue Dot project were to be sold for proceeds of \$2,000,000, the maximum amount payable to the minority interest partner would be approximately \$400,000, taking into account the funding by the Company of the minority interest partner's pro rata share of the advances made since August 2008.

**7. SHARE CAPITAL**

a) Authorized

Effective November 14, 2007, the Company migrated to the federal jurisdiction from British Columbia. As required by federal legislation, the par value shares were converted to no par value shares. In addition, the total number of common shares was limited to 200,000,000. Concurrent with the migration, each of the then existing shares was split on a 4.7 for 1 basis.

b) Issued

On June 13, 2008, the Company successfully completed its Initial Public Offering (IPO) issuing 3,334,000 shares. The offering was denominated in Canadian dollars and raised CAN\$6,001,200 (US\$5,836,767) before issue expenses at a share price of CAN\$1.80 (US\$1.75). Issue expenses amounted to CAN\$818,496 (US\$796,069) leaving net proceeds of CAN\$5,182,704 (US\$5,040,698). There were no share issues in the nine months ended June 30, 2009.

	Number of Shares	Capital Stock	Contributed Surplus
Balance, September 30, 2007 (adjusted for the November 2007 share split)	25,680,690	\$ 54,640	\$ 20,435,262
Shares issued for the IPO	3,334,000	5,040,698	-
Stock-based compensation	-	-	147,641
Balance, September 30, 2008	29,014,690	\$ 5,095,338	\$ 20,582,903
Stock based compensation	-	-	65,145
Balance, June 30, 2009	29,014,690	\$ 5,095,338	\$ 20,648,048

c) Stock options

The Company has implemented the policy of issuing stock options to certain directors and senior officers as part of their compensation arrangements under a stock option plan ratified by the shareholders on November 14, 2007. The purpose of the plan is to attract, maintain and motivate directors and officers as well as to bring individual and corporate goals into alignment. Options may also be granted to other service providers where the Directors have determined that it is in the Company's interest so to do. Stock options are non-assignable and have terms determined as appropriate by the Directors.

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**7. SHARE CAPITAL (cont'd...)**

During the period, 49,665 options expiring in September 2011 were cancelled. No additional share options were issued in the nine months ended June 30, 2009. Subsequent to the period end, an additional 240,000 options were granted expiring in June 2014 and vesting in 8 equal quarterly installments with an exercise price of CAN\$2.00.

	Nine months ended Jun <del>2009</del>	Year ended Septemb 30, 2
Outstanding at beginning of period	1,925,045	1,850,045
Add:		
Options issued during the period	<u>-</u>	<u>75,000</u>
	1,925,045	1,925,045
Less:		
Options cancelled during the period	<u>49,665</u>	<u>-</u>
Outstanding at end of period	<u>1,875,380</u>	<u>1,925,045</u>
Comprising		
Options vested and exercisable	1,628,995	1,361,670
Options not yet vested	<u>246,385</u>	<u>563,375</u>
Outstanding at end of period	<u>1,875,380</u>	<u>1,925,045</u>

d) Warrants

No additional share warrants were issued in the nine months ended June 30, 2009.

	Nine months ended June 30, 2009	Year ended Septemb 30, 2
Outstanding at beginning and end of period	744,983	744,983

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**8. SUPPLEMENTARY CASH FLOW INFORMATION**

	Three months ended June 30, 2009	Nine months ended June 30, 2009	Three months ended June 30, 2008	Nine months ended June 30, 2008
Net changes in non-cash working capital				
Accounts receivable	\$ (332,282)	\$ 87,904	\$ 71,277	\$ (1,137,950)
Inventories	(48,079)	(30,433)	188,927	216,690
Prepaid expenses	(308,101)	(278,741)	(283,000)	(428,314)
Accounts payable and accrued liabilities	209,321	513,854	8,093	95,142
Current income taxes payable	-	-	(182,711)	1,656
	<u>\$ (479,141)</u>	<u>\$ (292,584)</u>	<u>\$ (197,414)</u>	<u>\$ (1,252,776)</u>

Included in accounts receivable at September 30, 2008 and December 31, 2008 was \$367,308 receivable from the Reserve Bank of Zimbabwe. This amount was transferred to a non-current category effective March 31, 2009 (Note 3).

**9. FINANCIAL INSTRUMENTS**

Financial instruments are those assets and liabilities that will be settled in cash either by payment by the Company or on the receipt of cash from another party. Financial instruments held by the Company include cash and equivalents, accounts receivable, short term bank loan, accounts payable and accrued liabilities and loans from the minority interest partner. The Company has reviewed the estimated fair market value of these instruments and concluded that the fair value of these financial instruments approximate their carrying value with the exception of the amount due from the RBZ (Note 3).

**Credit risk exposure**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to the amount due from the RBZ converted to Special Tradable Bonds subsequent to the period end. The Company is unable to accurately quantify the risk associated with this instrument but has written down the amount in an appropriate manner (Note 3).

**Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash available to meet its liabilities as they come due. As at June 30, 2009, the Company had a cash balance of \$3,074,895 (September 30, 2008 - \$4,793,670) to settle current liabilities of \$1,188,654 (September 30, 2008 - \$424,800) excluding the loan due to the minority interest partner. With the exception of the short term bank loan and the loan due to the minority interest partner, all of the Company's financial liabilities have contractual maturities of 30 days or less and are subject to normal trade terms.

**9. FINANCIAL INSTRUMENTS (cont'd...)**

The failure of the RBZ to meet its payment policy and the conversion of the balance outstanding to a bond effective January 2009 has had an adverse effect on liquidity as discussed below. There have been no loan repayments by the Zimbabwe subsidiary to the parent company in Canada since May 2008 except for the repayment of short term loans amounting to \$145,180 that had been advanced in the previous nine month. As a result, head office operations are being funded by cash on hand. Operations in Zimbabwe resumed in late February 2009 and gold sales commenced in April 2009 as a result of the changes introduced by the Zimbabwe government in January 2009. In order to fund the Zimbabwe subsidiary's depleted working capital to allow a resumption of production, a short term bank loan of \$250,000 was arranged. Although the failure of RBZ to meet its payment policy increased the liquidity risk, the resumption of operations is mitigating this effect.

The Company's management closely monitors cash availability, adjusting operations in Zimbabwe, South Africa and Canada to correspond to the cash resources on hand.

The loan in respect of the current development and exploration costs advanced by the minority interest partner to the Company's South African subsidiary, Blue Dot Properties 40 (Pty) Limited, is due on September 28, 2009 but with the financial constraints being faced by the 26% minority interest partner it may not be possible to renegotiate the loan on its maturity as had originally been anticipated. However, the source of funds for repaying both the loan from the minority interest partner and the Company's intercorporate loan is limited to the assets of the subsidiary company holding the property (Note 5).

**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.

a) Interest rate risk

The Company has cash balances and its current policy is to invest excess cash in Government Treasury Bills and short-term deposit certificates issued by its banking institutions. In the case of cash held in Zimbabwe, short term deposits are rarely longer than a week and, in Canada, period to maturity rarely exceeds 90 days; deposits within these parameters are considered equivalent to cash.

The Company monitors the investments in short term deposits and is satisfied with the credit ratings of its banks. As of June 30, 2009, the Company did not have any investments with maturities in excess of ninety days. The Company has no investments in asset backed commercial paper or similar investments.

The short term bank loan negotiated by the Company with its Zimbabwe bank has an interest rate calculated by reference to the London Interbank Offered Rate ("LIBOR"). As the term of the loan expires in September 2009, the exposure to significant interest fluctuations is considered small.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. Currently the exposure is to the South African Rand ("R"), the Canadian dollar ("CAN\$") and, in prior periods, to the Zimbabwe Dollar ("Z\$").

**9. FINANCIAL INSTRUMENTS (cont'd...)**

The Zimbabwe government's policy changes since January 2009 have substantially changed the company's operating framework allowing it to operate solely in US dollars thus removing the exchange rate risk.

The South African Rand has strengthened significantly over the last few months with respect to the US dollar having fluctuated between a maximum of R11.474, a minimum of R 7.7756 and average of R9.1809 to the US dollar over the nine months ended June 30, 2009.

c) Price risk

The Company is exposed to price risk with respect to the world price for gold. The Company closely monitors the world price of gold as well as those for other precious metals to determine the appropriate course of action to be taken.

**Sensitivity analysis**

The carrying amount of cash and cash equivalents, accounts receivable, short term bank loan, accounts payable and accrued liabilities and loans from minority interest partner, approximate their fair value due to their short-term nature.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a nine month period on a pre tax basis.

- a) Canadian and US dollar cash deposits include deposits which are at fixed interest rates of up to 90 days and the sensitivity to a plus or minus 1% change in rates would affect net loss for the nine month period by approximately \$20,000.
- b) The Company's reporting currency is US dollar, but head office expenses are incurred primarily in Canadian dollars. At the present time, the Company is holding some of its cash in Canadian dollars being approximately sufficient to fund Canadian dollar denominated expenses for the next three to six months. During the nine months ended June 30, 2009, the Canadian dollar dropped from 1.0609 at October 1, 2008 to a low of 1.3000 in March 2009, recovering to 1.1625 by June 30, 2009. A change of 5% in the average exchange rate during the period would result in an exchange difference of approximately \$31,000 to the statement of operations for the nine month period. A change of 5% in the period end exchange rate would result in an exchange difference of approximately \$17,000 to the statement of operations.

Costs incurred in South Africa are in Rand, but as most of the expenses incurred are deferred as deferred exploration and development costs, the effect of fluctuation of the Rand against the US dollar on the statement of operations is immaterial.

- c) Gold prices have a direct effect on revenue and therefore on the net income or loss for the period. The Company experienced an average rate of approximately \$917/oz of gold sold; a change of 5% in that average rate or \$45/oz would change revenue by approximately \$145,000.

**10. RELATED PARTY TRANSACTIONS**

Remuneration for the four outside directors including the non-executive chair of the board, during the nine months ended June 30, 2009 amounted to \$76,000 (nine months ended June 30, 2008 - \$41,000). This expense is included in corporate and administrative overhead. Two of the directors received their remuneration through companies controlled by them.

All directors are reimbursed for their out-of-pocket expenses reasonably incurred in connection with their duties to the Company.

**11. COMMITMENTS AND CONTINGENCIES**

The Company is committed to short-term lease arrangements for office space. These leases are treated as operating leases and lease payments are expensed as incurred; these leases all expire in September 2009.

For all leases currently in force, the total annual payments will amount to approximately \$36,000 for the year ending September 30, 2009.

Prior to the dissolution of the Zimbabwe Parliament for the March 29, 2008 elections, it was considering a bill that proposed significant changes to the legislative environment affecting mining operations. Included among the proposals was one that would require companies with producing mines to transfer 26% of their equity to the government, an entity controlled by government or a government approved organization. The proposals further required that, over a period of time, a further 25% of the total equity be transferred to a government approved entity. The bill has now been formally withdrawn but the government has announced that it intends to re-introduce legislation early in 2010. The new proposals may be with no, minor or substantial changes compared to the bill that was withdrawn, and thus the effect on the Company cannot be quantified.

**12. SEGMENTED INFORMATION**

The Company's mining and exploration activities are all located in Southern Africa; its head office function is located in Canada. All of the operating assets including the property, plant and equipment are located in Zimbabwe and the source of all revenues is the operating gold mine in Zimbabwe. The Canadian office has no source of income other than incidental interest income on cash balances and short term deposits. The Blue Dot exploration property in South Africa has generated no revenue or significant expenses from the time of acquisition; exploration and development work capitalized in the nine months ended June 30, 2009 amounted to \$1,065,675 (year ended September 30, 2008 - \$1,635,021) (Note 4).

**13. CAPITAL MANAGEMENT**

In order to support the acquisition, exploration, development and operation of its mineral properties, the Company manages its capital structure and makes adjustments to it, based on the funds available. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital to be the sum of the constituent parts of equity, namely share capital and contributed surplus less the accumulated deficit. There are no capital requirements imposed on the Company by statute or contractual agreements.

**13. CAPITAL MANAGEMENT (cont'd...)**

With the exception of the Turk Mine in Zimbabwe, the properties in which the Company currently has an interest are at the exploration or development stage; as such the Company is dependent on external financing to fund its exploration and development activities excluding the Turk Mine property. External financing may be in the form of any of additional public offerings, private placements, loan agreements or proceeds from the sale of some or all of its properties including joint venture arrangements.

Operations at the Turk Mine have, prior to September 30, 2008, generated cash that has been used to fund operations at the mine and at head office, and finance additional exploration, development and infrastructure additions at the mine property. There were no gold sales during the six month period ended March 31, 2009 and the Company was dependent on its internal resources and small amounts realized from barter transactions to maintain its operations in South Africa and to fund the care and maintenance program at the Turk Mine in Zimbabwe as well as corporate offices in Canada during the period then ended.

Gold sales from Turk Mine operations resumed in April 2009 providing a positive cash flow with which to fund exploration activities in that country and to repay the short term intercorporate loan advanced in February 2009 that provided initial working capital for resumption of development work. On May 4, 2009, the Turk Mine was moved from a development to a production basis.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic and economic potential and subject to the availability of suitable financing and structure of the acquisition.

Management and the Board of Directors review capital management on an ongoing basis and believe that this approach, given the relative size of the Company, is reasonable.

**14. SUBSEQUENT EVENTS**

There were no significant subsequent events requiring disclosure that occurred subsequent to year end not otherwise disclosed.

**15. EARNINGS (LOSS) PER SHARE**

The Company calculates its earnings per share on a diluted basis using the treasury stock method. As a result of applying this method, the Company's outstanding options were anti-dilutive or non-dilutive for all periods presented and accordingly basic and diluted earnings (loss) were the same.