

MICREX DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009



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AUDITORS' REPORT

To: The Shareholders of
Micrex Development Corporation

We have audited the consolidated balance sheets of Micrex Development Corporation (the "Company") as of August 31, 2009 and 2008 and the statements of operations, 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by Hudson LLP, which now operates as BDO Dunwoody LLP.

BDO Dunwoody LLP

BDO Dunwoody LLP
Chartered Accountants

Calgary, Alberta
December 18, 2009

MICREX DEVELOPMENT CORPORATION
CONSOLIDATED BALANCE SHEETS

AUGUST 31	2009	2008
ASSETS		
CURRENT		
Cash	\$ 10,928	\$ 61,856
Accounts receivable	354,408	27,394
Deposits	5,000	10,250
	370,336	99,500
PROPERTY, PLANT AND EQUIPMENT (note 5)	6,681	9,534
MINERAL EXPLORATION PROPERTIES (note 6)	3,673,880	3,696,428
	\$ 4,050,897	\$ 3,805,462
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 196,485	\$ 33,817
Due to shareholders and directors (note 7)	122,885	235,259
	319,370	269,076
DUE TO SHAREHOLDERS AND DIRECTORS (note 7)	240,000	240,000
	559,370	509,076
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 8)	9,375,850	9,141,008
CONTRIBUTED SURPLUS (note 9)	1,272,920	1,125,456
DEFICIT	(7,157,243)	(6,970,078)
	3,491,527	3,296,386
	\$ 4,050,897	\$ 3,805,462

Nature of operations and going concern (note 1)

Approved on behalf of the Board

Director (signed) "Dale Fetterly"
Dale Fetterly, Director
Director (signed) "Max Morpurgo"
Max Morpurgo, Director

MICREX DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

YEARS ENDED AUGUST 31	2009	2008
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EXPENSES		
Consulting fees (note 15)	\$ 150,000	\$ 150,000
Subcontract (note 15)	126,000	133,000
Professional fees	86,508	81,183
Stock based compensation (note 8)	96,410	64,682
Interest and bank charges (note 8)	1,074	58,939
Office	5,498	12,248
Telephone	9,480	8,285
Travel and promotion	6,792	7,863
Amortization	2,853	4,073
Automotive	5,621	2,125
Insurance	1,450	1,449
	<hr/>	<hr/>
LOSS BEFORE THE FOLLOWING ITEMS	(491,686)	(523,847)
OTHER INCOME (EXPENSE)		
Gain on proceeds of an option on a mineral property (note 6)	245,575	-
Other expense	-	(14,300)
	<hr/>	<hr/>
LOSS BEFORE INCOME TAXES	(246,111)	(538,147)
FUTURE INCOME TAXES (note 11)	(58,946)	(94,272)
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NET AND COMPREHENSIVE LOSS	(187,165)	(443,875)
DEFICIT, beginning of year	(6,970,078)	(6,526,203)
	<hr/>	<hr/>
DEFICIT, end of year	\$ (7,157,243)	\$ (6,970,078)
	<hr/>	
BASIC AND DILUTED LOSS PER SHARE (note 10)	\$ (0.005)	\$ (0.013)
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MICREX DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED AUGUST 31	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net and comprehensive loss	\$ (187,165)	\$ (443,875)
Items not affecting cash		
Amortization	2,853	4,073
Future income taxes	(58,946)	(94,272)
Gain on proceeds of an option on a mineral property	(245,575)	-
Stock based compensation	96,410	64,682
Writedown of mineral properties	-	14,300
Warrant value in interest expense	-	57,600
	(392,423)	(397,492)
Change in non-cash working capital items		
Accounts receivable	(2,014)	44,848
Deposits	5,250	(250)
Accounts payable and accrued liabilities	162,668	(103,705)
	(226,519)	(456,599)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of mineral exploration property	612,081	-
Purchase of mineral exploration properties	(298,957)	(255,054)
Non-cash working capital receivables	(325,000)	-
	(11,876)	(255,054)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from (repayment to) shareholders and directors	(112,374)	453,300
Share issue costs	(28,159)	(33,329)
Issuance of share capital	328,000	324,600
	187,467	744,571
CHANGE IN CASH POSITION	(50,928)	32,918
CASH, beginning of year	61,856	28,938
CASH, end of year	\$ 10,928	\$ 61,856

OTHER INFORMATION (note 12)

MICREX DEVELOPMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2009 and 2008

1. NATURE OF OPERATIONS AND GOING CONCERN

Micrex Development Corporation (the "Company") was incorporated under the Business Corporations Act (Alberta) on February 16, 1987.

The Company is considered to be primarily in the exploration stage with respect to its mineral properties. The Company has determined for some properties whether they contain economically recoverable reserves however they are not in production on any of their properties and some properties are still in the exploration phase. The Company has had a working capital deficiency in the past and has suffered recurring losses. The recoverability of the amounts shown for mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development and upon future profitable production. The Company does have a plan for the development of two properties and needs to obtain a permit for one property and for the other property are looking for a long term customer order before they start production.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing, receive continued support from its creditors and to commence profitable operations in the future.

These consolidated financial statements do not give effect to any adjustment which might be necessary if the going concern basis were not appropriate.

Although the Company has taken steps to verify the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, transfers or native land claims and may be affected by other unknown items.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements of the Company include the financial statements of the Company and those of Gold Standard Mining Corp. in which the Company holds a 100% interest. Gold Standard Mining Corp. is the registered owner of the Big Horn Mine property and related equipment and has no other assets or liabilities but has no separate ongoing operations

The Company holds a 100% interest in Gee Cee Mines Ltd. which acts as a bare trustee and owns claims relating to the Wild Horse placer mine. The Company has recorded its interest in these claims at the purchase price of the shares plus amounts expended on development. Gee Cee Mines Ltd. has no other operations, assets or liabilities.

MICREX DEVELOPMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2009 and 2008

3. CHANGE IN ACCOUNTING POLICIES

On September 1, 2008, the Company adopted CICA Section 1535 Capital Disclosures. This Section establishes standards for disclosing information about an entity's objectives, policies and processes for managing its capital structure. The disclosures have been included in Note 14.

On September 1, 2008, the Company adopted the following two new CICA standards: Financial Instruments - Disclosures (Section 3862) and Financial Instruments - Presentation (Section 3863), which replace Financial Instruments - Disclosure and Presentation (Section 3861). The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward former presentation requirements.

These changes had no impact at the time of initial adoption of the recommendations on the opening balances.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared using the historical cost basis in accordance with Canadian generally accepted accounting principles. These consolidated financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The significant estimates pertain to the recovery of mineral exploration expenditures, the physical and economic lives of equipment, the completeness of the accounts payable and the assumptions utilized in determining fair value of stock-based compensation for options and the fair value of warrants.

Cash

Cash includes balances held in financial institutions.

MICREX DEVELOPMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2009 and 2008

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

Property, plant and equipment

Property, plant and equipment are recorded at cost. The Company provides for amortization using the declining balance methods at rates designed to amortize the cost of the property, plant and equipment over its estimated useful life. The annual amortization rates are as follows:

Equipment	30%
Automotive	30%
Furniture and fixtures	20%
Computer equipment	30%

Mineral Properties

Development Properties

At present, all activities of the Company are in the exploration stage. The cost of mineral properties or interests therein and all related exploration costs excluding administration costs are being capitalized until the respective properties are determined to be capable of sustained commercial production, or there has been an impairment in value. Each property is assessed periodically by management to see if there is an impairment in the overall value. When a property is determined to be non-commercial, non-productive or its carrying value is not considered to be fully recoverable based on the net present value of future expected cash flows, or its value is otherwise impaired, those costs in excess of estimated future recoveries are charged to operations. The ultimate recovery of the costs of exploration expenditures and the satisfaction of future commitments is dependent on the Company's ability to raise sufficient capital in order to further develop and determine the commercial viability of the properties. The Company expenses administration costs as incurred. On commencement of commercial production, net acquisition costs and exploration and development costs on a property-by-property basis will be amortized to operations on the unit-of-production basis, based on the economic reserves of the property.

Asset Retirement Obligation

The Company recognizes the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, with a corresponding increase in the carrying amount of the long-lived asset. The liability accretes until the Company expects to settle the retirement obligation. These asset retirement costs are depleted using the unit of production method and actual costs to retire the asset will be deducted from the liability as incurred. At this time, the Company does not foresee the necessity to make any material expenditure in this area and the Company is not committed to any significant reclamation or other asset retirement obligations until such time as production commences.

Value

The amounts shown for the mineral properties represent costs to date (net of impairment write-downs), and do not necessarily represent present or future values as they are entirely dependent upon the economic recovery of current and future reserves.

MICREX DEVELOPMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2009 and 2008

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, the Company records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the substantively enacted income tax rates. Accumulated future income tax balances are adjusted to reflect changes in income tax rates that are substantively enacted with the adjustment being recognized in earnings in the period that the change occurs. Future tax assets are recognized to the extent that they are more likely than not to be realized.

Financial instruments

The Company has classified their financial instruments as follows:

Cash is designated as “held-for-trading” and is measured at fair value with gains and losses resulting from the remeasurement at the end of each period being recognized in net income.

Accounts receivable is designated as “loans and receivables”. They are recorded at cost which, upon their initial measurement, is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities and due to shareholders and directors are designated as “other liabilities”. They are recorded at cost which, upon their initial measurement, is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

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 tax legislation. A future tax liability is generated upon the issuance of such shares. The liability is reduced when the related expenditures are incurred.

Stock-based compensation

The Company has a stock based compensation plan, which is described in note 8. Awards of options under this plan are expensed based on the fair value of the options at the grant date. The amount is credited to contributed surplus. Fair values are determined using the Black-Scholes option-pricing model. If the options are subject to a vesting period, the expense is recognized over this period. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital plus the amounts originally recorded as contributed surplus.

MICREX DEVELOPMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2009 and 2008

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

Loss per share

The calculation of basic loss per share is based on net earnings divided by the weighted average number of common shares outstanding.

The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. In addition, diluted common shares also include the effect of the potential exercise of any outstanding warrants.

5. **PROPERTY, PLANT AND EQUIPMENT**

	2009		
	Cost	Accumulated amortization	Net
Equipment	\$ 415,250	\$ 411,955	\$ 3,295
Automotive	40,540	38,553	1,987
Furniture and fixtures	750	692	58
Computer equipment	36,322	34,980	1,342
	\$ 492,862	\$ 486,181	\$ 6,681
	2008		
	Cost	Accumulated amortization	Net
Equipment	\$ 427,331	\$ 422,624	\$ 4,707
Automotive	40,540	37,702	2,838
Furniture and fixtures	750	678	72
Computer equipment	36,322	34,405	1,917
	\$ 504,943	\$ 495,409	\$ 9,534

MICREX DEVELOPMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2009 and 2008

6. MINERAL EXPLORATION PROPERTIES

	2009	2008
Acquisition costs	\$ 2,066,184	\$ 2,138,614
Deferred exploration costs	1,667,696	1,557,814
	\$ 3,673,880	\$ 3,696,428
Consists of:		
Burmis Magnetite Mine, Alberta	\$ 2,309,620	\$ 2,025,651
Big Horn Mine, British Columbia	860,771	850,663
Deadwood Mine, New Mexico	-	366,506
St. Charles de Bourget, Quebec	503,489	453,608
	\$ 3,673,880	\$ 3,696,428

a) Burmis Magnetite Mine, Alberta

The Company has a 32% equity interest in the claims and 100% interest in all production from the claims relating to the Burmis Magnetite deposit located in the Crowsnest Pass area of Alberta. The Company originally acquired a 12% equity interest in this property in 1997 by the issuance of 100,000 common shares having a value of \$103,000, plus \$10,000 cash, plus a \$200,000 expenditure commitment which was fulfilled in a previous year. The purchase agreement provides the Company the right to acquire an additional 2% equity interest per year by the annual payment of \$70,000 by way of cash or common shares or the Company can purchase outright the remaining equity interest at any time. Accordingly, future payments totaling \$2,380,000 would be necessary to acquire the remaining 68% interest, although there is no commitment in place to acquire this additional interest.

b) Big Horn Mine, British Columbia

The Company has an 87.5% interest in the Big Horn hard rock mine located in the Atlin area of British Columbia. In the 2007 year, the Company sold a 12.5% interest in this site to an arms length third party for proceeds of \$300,000, resulting in a gain on disposition of \$187,613. This property was acquired in 1993 by the issuance of 2,747,283 common shares having a value of \$631,875 (\$159,270 for plant and equipment; \$472,605 for mining property).

MICREX DEVELOPMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2009 and 2008

6. **MINERAL EXPLORATION PROPERTIES, continued**

c) Deadwood Mine, New Mexico

The Company owns a 100% interest in the Deadwood patented hard rock mine and Sunburst patented hard rock mine claim located in Catron County, New Mexico, U.S.A. The Company owns the land and mineral rights. The license is current on this property and the Company still considers it an active property.

During the year, the Company sold on option to purchase 100% of their interest in the site to an arms length party for proceeds of \$600,000. Once the entire balance has been paid the title will transfer to the new owner.

d) St. Charles de Bourget, Quebec

The Company owns a 26% (2008 - 24%) equity interest in the claims and 100% interest in all production from the claims relating to the Quebec magnetite deposit located near Chicoutimi, Quebec, Canada. The Company originally acquired a 12% equity interest in this property in the 2005 fiscal year by the issuance of 290,323 common shares having a fair value of \$90,290. The purchase agreement provides the Company the right to acquire an additional 2% equity interest per year by an annual payment of \$45,000 by way of cash or common shares or the Company can purchase outright the remaining equity interest at any time. In the current year 450,000 (2008 - 264,706) common shares were issued to purchase the 2% interest per year for \$45,000 per year. Accordingly, future payments totaling \$1,710,000 would acquire the remaining 74% interest, although there is no commitment to acquire this additional interest.

The equity interest is subject to a gross overriding royalty to the vendor upon commencement of production at the greater of 1% of gross sales or \$0.25 per ton.

e) Wild Horse, British Columbia

The Company owns 100% interest in Wild Horse placer mine located in Fort Steele, British Columbia. This property was originally acquired in 1996, however management has assessed this property and has determined there to be an impairment in value. As a result the value of this property has been written down to zero however the Company still holds a valid license on the property.

f) Mount Royal, New Mexico

The Company owns a 33% interest in the Mount Royal patented hard rock mine claim located in the Steeple Rock district of New Mexico, U.S.A. The Company owns the land and mineral rights. Management has assessed this property and has determined there to be an impairment in value and this property has been written down to zero however the Company still holds a valid license on the property.

MICREX DEVELOPMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2009 and 2008

7. DUE TO SHAREHOLDERS AND DIRECTORS

	2009	2008
The balances due to shareholders and directors are unsecured, non-interest bearing and have no specific terms of repayment. All of the balances are shown as current as all of the loans are due on demand.	\$ 122,885	\$ 235,259
Due to shareholders is a convertible debenture that matures on May 15, 2010 and bears interest at 25% per annum. Upon expiry, the loan will be repaid in either cash, shares or a 2% working interest in the St. Charles Magnetite deposit. As part of the terms of the convertible debentures 960,000 warrants were issued that expired on May 15, 2009 and were exercisable for one common share for the price of \$0.25 per share. The fair value of these warrants were calculated as \$57,600 and were recorded in contributed surplus (see note 9) and interest expense.	240,000	240,000
Less current portion	362,885 122,885	475,259 235,259
	\$ 240,000	\$ 240,000

8. SHARE CAPITAL

Authorized

Unlimited number of common voting shares
10,000,000 preferred shares
10,000,000 convertible preferred shares

Preferred shares and convertible preferred shares may be issued in one or more series. The directors are authorized to fix the number of shares in each series to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

MICREX DEVELOPMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2009 and 2008

8. SHARE CAPITAL, continued

Common share transactions during the year

	Number	Amount
Balance August 31, 2007	32,518,858 \$	8,955,373
Flow through shares issued less warrants value of \$93,920	1,174,000	176,012
Issued for acquisition of mining properties	514,706	115,000
Tax effect of flow through shares	-	(70,704)
Share issue costs	-	(34,673)
	34,207,564	9,141,008
Balance August 31, 2008	34,207,564	9,141,008
Common shares issued for cash less warrants value of \$23,500	293,750	23,500
Flow through shares issued less warrants value of \$49,698	2,484,900	201,302
Issued for acquisition of mining properties	450,000	45,000
Options exercised	300,000	52,145
Tax effect of flow through shares	-	(58,946)
Share issue costs	-	(28,159)
	37,736,214 \$	9,375,850
Balance August 31, 2009	37,736,214 \$	9,375,850

On December 30, 2008, the Company issued 251 flow through units for \$1,000 per unit. Each unit consisted of 7,500 flow through share, 2,400 non-flow through shares and 9,900 common purchase warrant with an exercise price of \$0.15 that expire in one year. The fair value of \$49,698 has been removed from the total proceeds of \$251,000 and recorded in contributed surplus. The future tax effect on the flow through shares issued of \$58,946 has been charged against share capital.

A total of 450,000 (2008 – 514,706) common shares were issued for mineral properties in the year for a total value of \$45,000 (2008 - \$115,000).

On September 15, 2008, the Company finalized a private placement for 293,750 share units consisting of one common share and one common share warrant at \$0.16 per unit. The fair value of \$23,500 relating to the warrant has been removed from the total proceeds of \$47,000 and recorded in contributed surplus.

During the year 300,000 (2008 – nil) options were exercised for proceeds of \$30,000 (2008 - \$nil) and the related contributed surplus was moved to share capital totaling \$22,145 (2008 - \$nil).

On December 27, 2007 the Company issued 1,174,000 flow through units for \$0.25 per unit. Each unit consisted of one flow through share and one common purchase warrant with an exercise price of \$0.30 that expire in one year. The fair value of \$93,920 have been removed from the total proceeds of \$293,500 and recorded in contributed surplus. The future tax effect on the flow through shares issued of \$70,704 has been charged against share capital.

MICREX DEVELOPMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2009 and 2008

8. SHARE CAPITAL, continued

Escrowed shares

Certain of the common shares issued by private placement for cash or other consideration were held in escrow. As at year end nil (2008 - 958,689) common shares were deposited in performance escrow and were to be released on the basis of one share for each \$0.23 of development expenditures on the Big Horn mining property. During the year 958,689 (2008 - nil) common shares were released from escrow.

Stock options

The Company has a stock option plan administered by the Board of Directors under which the Company may reserve a maximum of 10% of the issued and outstanding listed common shares. Under this plan, the Company has currently granted options for 3,523,621 (2008 - 3,394,285) common shares, having various exercise prices as determined on the date of issuance of the options. The options have no vesting period, may be exercised at any time within five years of issuance and expire thirty days following the date the optionee ceases to be a director, officer or employee, or one year following the date of death of the optionee. All options issued are exercisable as at the period-end.

	Number	Weighted average exercise price
Outstanding August 31, 2007	3,370,937	\$ 0.30
Granted	241,764	0.27
Expired	<u>(218,416)</u>	0.30
Outstanding August 31, 2008	3,394,285	0.26
Granted	1,249,336	0.10
Expired	(820,000)	0.30
Exercised	<u>(300,000)</u>	0.10
Outstanding August 31, 2009	<u>3,523,621</u>	\$ 0.20

MICREX DEVELOPMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. SHARE CAPITAL, continued

The following table summarizes the options outstanding and exercisable at August 31, 2009.

Options outstanding	Exercise price	Options exercisable at August 31, 2009	Expiry date
85,000	\$ 0.22	85,000	November 2009
384,000	0.16	384,000	April 2010
75,000	0.23	75,000	September 2010
375,521	0.30	375,521	December 2010
520,000	0.25	520,000	March 2011
140,000	0.29	140,000	February 2012
673,000	0.27	673,000	May 2012
80,000	0.25	80,000	July 2012
241,764	0.18	241,764	February 2013
234,336	0.10	234,336	January 20014
715,000	0.10	715,000	July 2014

The fair values of the share options granted in the year ended August 31, 2008, using the Black-Scholes option pricing model, are as follows:

July 6, 2009: The assumptions utilized in determining the value of 715,000 stock options issues to directors was at a spot rate of \$0.10, a strike price of \$0.10, a risk-free interest rate of 2.29%, volatility of 130%, expected yield of nil, and a maturity of 5 years. The estimate of the fair value of options issues is \$64,350 which are fully vested.

January 2, 2009: The assumptions utilized in determining the value of 534,336 stock options issues to directors was at a spot rate of \$0.07, a strike price of \$0.10, a risk-free interest rate of 1.75%, volatility of 130%, expected yield of nil, and a maturity of 5 years. The estimate of the fair value of options issues is \$32,060 which are fully vested.

February 22, 2008: The assumptions utilized in determining the value of 241,764 stock options issued to a director was at a spot rate of \$0.18, a risk-free interest rate of 3.42%, volatility of 130%, expected dividend yield of nil, and a expiry period of 5 years. The estimate of the fair value of options issued is \$38,682 which are fully vested.

December 5, 2007: The board of directors approved the repricing of existing options from \$0.50 to \$0.25 for stock options issued to directors. The risk-free interest rate of 3.69%, volatility of 130%, expected dividend yield of nil, and a maturity period remaining of three years. The estimate of the additional fair value of the options relating to the repricing is \$26,000.

Total stock based compensation expense for the year was \$96,410 (2008 - \$64,682). Option pricing models require the input of subjective assumptions, and, accordingly, the fair value estimates can vary as a result of changes in the assumptions.

MICREX DEVELOPMENT CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2009 and 2008

8. SHARE CAPITAL, continued

Warrants

At August 31, 2009, the Company had 2,778,650 (2008 - 3,092,689) warrants outstanding:

293,750 warrants expiring September 15, 2009 entitling the subscribers to acquire one common share per warrant at a price of \$0.20 per share. These warrants were issued as part of a private placement of flow through shares on September 15, 2008. The fair value of the warrants issued is estimated to be \$23,500. The assumptions used were a share price of \$0.18, strike price of \$0.20, risk-free rate of 2.77%, volatility of 130%, no expected dividend yield and one year to maturity.

2,484,900 warrants expiring December 30, 2009 entitling the subscribers to acquire one common share per warrant at a price of \$0.15 per share. These warrants were issued as part of a private placement of flow through shares on December 30, 2008. The fair value of the warrants issued is estimated to be \$49,698. The assumptions used were a share price of \$0.07, strike price of \$0.15, risk-free rate of 1.59%, volatility of 130%, no expected dividend yield and one year to maturity.

1,174,000 warrants expiring December 27, 2008 entitling the subscribers to acquire one common share per warrant at a price of \$0.30 per share. These warrants were issued as part of a private placement of flow through shares on December 27, 2007. The fair value of the warrants issued is estimated to be \$93,920. The assumptions used were a share price of \$0.21, strike price of \$0.30, risk-free rate of 3.95%, volatility of 130%, no expected dividend yield and one year to maturity.

960,000 warrants expiring May 15, 2009 entitling the subscribers to acquire one common share per warrant at a price of \$0.25 per share. These warrants were issued as part of a debenture issued to a shareholder on May 15, 2008. The fair value of the warrants issued is estimated to be \$57,600. The assumptions used were a share price of \$0.16, strike price of \$0.25, risk-free rate of 3.00%, volatility of 130%, no expected dividend yield and one year to maturity.

	2009		2008	
	Warrants outstanding	Exercise price	Warrants outstanding	Exercise price
Expires December 29, 2009	2,484,900	\$ 0.15	-	\$ -
Expires September 15, 2009	293,750	0.20	-	-
Expires 6 months after the release of the performance shares from escrow	-	-	958,649	0.23
Expires December 27, 2008	-	-	1,174,000	0.30
Expires May 15, 2009	-	-	960,000	0.25
	2,778,650	\$ 0.16	3,461,033	\$ 0.24

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9. **CONTRIBUTED SURPLUS**

	2009	2008
Balance, beginning of the year	\$ 1,125,456	\$ 909,254
Fair value of stock based compensation	96,410	64,682
Fair value of warrants issued	73,198	151,520
Fair value of options exercised	(22,144)	-
Balance, end of the year	\$ 1,272,920	\$ 1,125,456

10. **LOSS PER SHARE**

Per share amounts have been calculated using the weighted average number of shares outstanding. Diluted loss per share has not been presented for 2009 or 2008 as the effect of the conversion of options and warrants is anti-dilutive.

	2009		
	Net and comprehensive loss	Shares	Loss per share
	\$		
Basic and diluted	(187,165)	37,736,214	(0.005)
	2008		
	Net and comprehensive loss	Shares	Loss per share
	\$		
Basic and diluted	(443,875)	34,207,564	(0.013)

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11. FUTURE INCOME TAXES

a) The components of future income tax balances are as follows:

	2009	2008
Future income tax asset		
Non-capital loss carryforwards	\$ 876,154	\$ 844,267
Share issue costs	18,702	22,656
Other	2,151	2,472
Future income tax liability		
Carrying amount of property, plant and equipment in excess of tax basis	(475,077)	(317,417)
Valuation allowance	421,930	551,978
	(421,930)	(551,978)
	\$ -	\$ -

b) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 29.00% (2008 - 31.00%) to the loss for the years as follows:

	2009	2008
Loss for the year before income taxes	\$ (246,111)	\$ (538,147)
Anticipated income tax recovery	\$ (71,372)	\$ (166,826)
Expiry of non-capital loss	90,534	96,779
Effect in change of tax rates	35,611	18,224
Permanent expense differences from stock-based compensation	27,959	37,907
Change in valuation allowance	(130,048)	(81,128)
Additions to share issuance costs	(8,166)	-
Other	3,464	772
Income tax recovery	\$ (58,946)	\$ (94,272)

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11. FUTURE INCOME TAXES, continued

For income tax purposes, the Company has losses carried forward from prior years which can be applied to reduce future years' taxable income. These losses expire as follows:

2009	\$	297,323
2010		276,012
2011		270,442
2012		300,787
2016		358,184
2027		314,318
2028		594,187
2029		<u>609,968</u>
	\$	<u>3,021,221</u>

12. OTHER INFORMATION

Significant non-cash transactions for the year consist of the issuance of common shares as consideration for acquisition of interests in mining properties as follows:

- a) Burmis Magnetite deposit - issuance of nil; (2008 – 250,000) common shares with an attributed value of \$nil; (2008 – \$70,000) to acquire an additional nil%; (2008 – 2%) equity interest in the property.
- b) St. Charles de Bourget deposit - issuance of 450,000; (2008 - 264,706) common shares with an attributed value of \$45,000; (2008 - \$45,000) to acquire an additional 2%; (2008-2%) equity interest in the property.

No interest or income taxes were paid or received during the current and prior years.

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13. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of cash and accounts receivable which will result in future cash receipts, as well as accounts payable and accrued liabilities and due to shareholders and directors which will result in future cash outlays.

The Company's activities expose it to a variety of risks in respect of certain of the financial instruments held. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) Property risk

The Company is dependent upon the projects currently held unless they acquire or develop additional significant properties. If no additional mineral properties are acquired by the Company, any adverse development affecting the existing projects would have a material adverse effect on the Company's financial condition and results of operations.

(b) Fair value

In management's opinion the Company's carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximates its fair value due to the immediate or short-term maturity of these instruments.

The fair value of the amounts due to shareholders and directors are less than carrying value, as the amounts are non-interest bearing. As the amounts have no terms of repayment, the fair value cannot be calculated with any degree of certainty.

(c) Market risk

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

(i) Interest rate risk

The Company is exposed to interest rate risk through fixed rate borrowings. The fixed rate debt is subject to interest rate price risk, as the value will fluctuate as a result of changes in market rates.

(ii) Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company currently does not hold a US bank account and has disposed of the only active US exploration property that it held.

MICREX DEVELOPMENT CORPORATION
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13. **FINANCIAL INSTRUMENTS, continued**

(iii) Commodity 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, particularly as they relate to base and precious metals, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken by the Company.

(d) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. Cash and cash equivalents are held with a reputable Canadian chartered bank, from which management believes the risk of loss to be minimal.

Accounts receivable consist of sales tax receivable from government authorities in Canada. Management believes that the credit risk concentration with respect to financial instruments included in sales tax receivable is minimal. Within the receivable balance there is still a portion of the option to purchase a mineral property proceeds outstanding. The majority of the amount has been received subsequent to year end and the title of the property does not transfer until the entire balance has been paid so management believes that this amount will be received.

(e) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. The Company currently does not have enough cash to cover the current accounts payable however subsequent to year end a large amount of the accounts receivable was received which gives the Company enough cash to pay the short term liabilities.