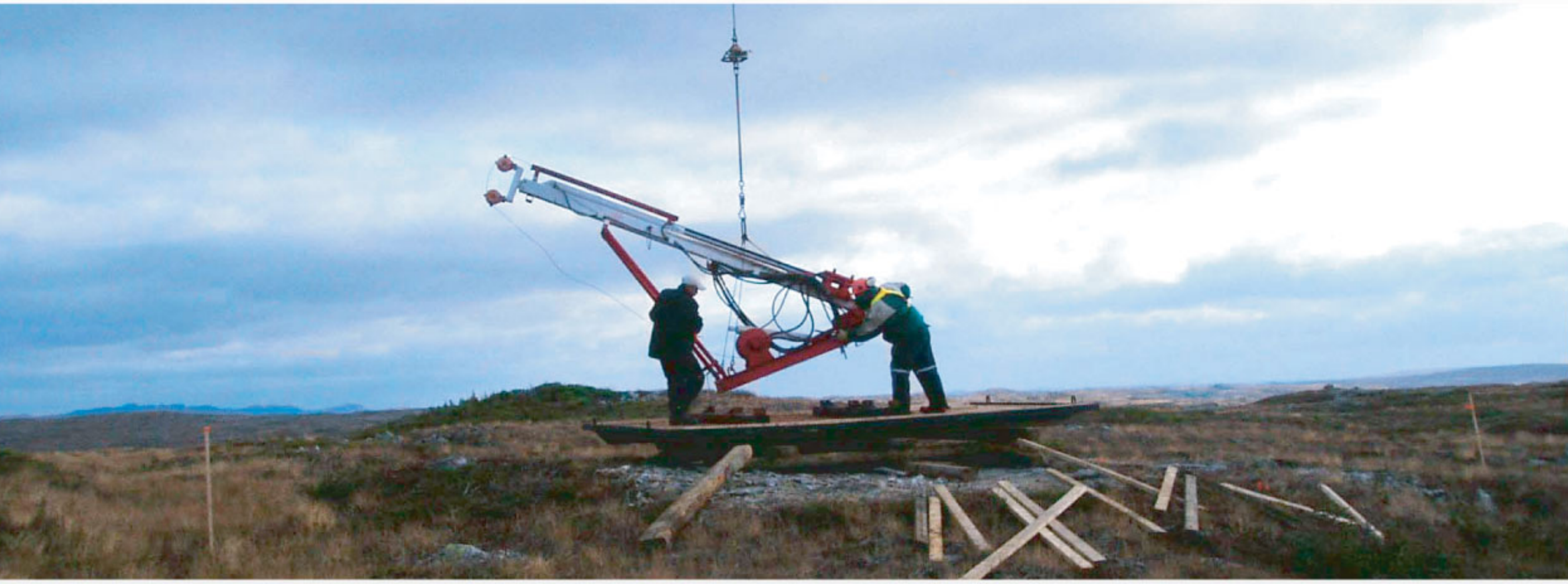
CMD

COMMANDER RESOURCES LTD.



ANNUAL REPORT 2009

CMD:TSXV

www.commanderresources.com

Dear Fellow Shareholders,

What a difference a year makes! The global financial system is on the road to recovery and stability has returned to the credit and banking infrastructure. Commodity prices have firmed and there has been an increase in corporate Merger and Acquisition activity in the mining sector. The recession by most measures is over.

In response to the severe market crash at the end of 2008, I advised you that we would focus our attention in 2009 on cash conservation and seeking ways to leverage and maximize value of our assets. I also ended last year's shareholder letter by stating that I thought the good times would return sooner than we expected… they certainly did. Our share price is up about 1000% from its low reached in late 2008.

With a clear focus on our duel objective of maximizing value and reducing risk to our shareholders, we succeeded in reducing our costs, conserving capital and most significantly, we leveraged a key asset into a very significant deal with a major global mining company.

Under a deal reached last summer, AngloGold Ashanti, the third largest gold producer in the world, agreed, at their option, to fund the next $20 million in exploration on the Baffin Gold Project to earn an initial 51% on the property. The deal commits AngloGold to spending a minimum of $5.5 million by the end of 2010. Through at least this period Commander will be the operator and recover a 10% fee from AngloGold on all expenditures. In addition, as part of the deal, AngloGold acquired a 10% equity stake in Commander through a private placement.

The combination of committed funding in place for the Baffin Project and cash in the bank from the AngloGold private placement, allows Commander to move forward on a solid financial and operational footing.

In 2010, our operational focus will primarily be on the Baffin Gold Project. An initial 5,500 metre drill program will test two targets, one being the Malrok Zone, last drilled in 2004 but with excellent potential for expansion to the resource stage; the other, the new Kanosak Prospect Area (formerly named Hébert), where we have outlined an exciting target that is now set for the first drill test. New discoveries made in 2009 expanded the Kanosak Prospect to a 3.5 kilometre strike length increasing the potential significance of this new trend. We will also focus some attention on the Ridge Lake Zone and the Durette Prospect, both of which will be targeted for further drilling in 2011.

The weak markets of 2009 prevented us from advancing our wholly-owned Storm Copper project as originally planned. Copper prices are strong and should remain strong for the foreseeable future. This is an exceptional property and we are continuing to assess opportunities to advance the project in order to maximize the value for our shareholders.

Recently, we reported a business arrangement that will allow us to vend an initial 50% interest in our Orion gold deposit and the surrounding claims into a Capital Pool Company. This allows us to immediately value the Orion Gold Deposit through a large equity stake in a new public company, while operating and administering the Company and the Project. This arrangement will allow Commander to advance the Orion resource to possible future production without diluting Commander's current shareholders.

Through the combination of fiscal restraint, deal-making and patience, Commander has emerged from the recession in better shape than before and is very well-positioned now to realize tangible share price appreciation with positive results and progress on our Baffin Project or through deal flow and advancement of our other key assets. The Baffin Project, in my view, is on the verge of having its potential realized. With the technical and financial support of such a high quality partner, the opportunity for success has never been better.

I'd like to thank our employees for their dedication and hard work, our Directors for their guidance and leadership, and our stockholders for their continued interest and support. I expect 2010 to be an exiting year for our Company!

Respectfully,

Ken E. Leigh
President & CEO
April 7, 2010

Exploration and Discovery

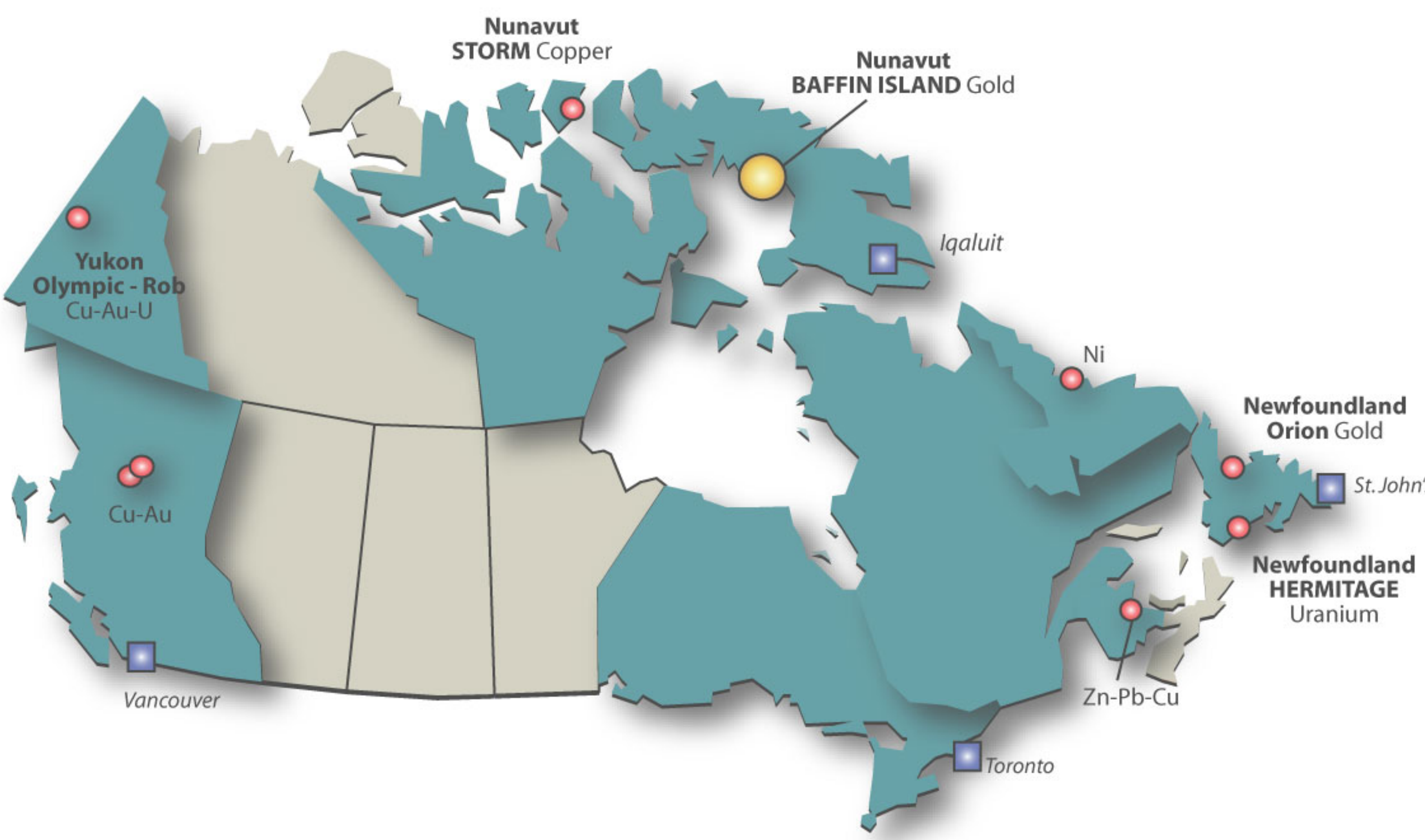
COMMANDER RESOURCES LTD.

Exploration
and Discovery...

Aggressive project generation and acquisitions

Maximizing opportunity and reducing risk through strategic relationships

Diverse project portfolio



COMMANDER RESOURCES LTD.

Management Discussion and Analysis

For the Year Ended
December 31, 2009

Description of Business

Commander Resources Ltd. ("Commander") is a company engaged in the acquisition and exploration of prospective gold, base metal, and uranium properties primarily in Canada. Commander is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol CMD.

Forward-Looking Information and Report Date

This Management Discussion and Analysis ("MD&A") may contain forward-looking statements that involve risks and uncertainties. When used in this MD&A, the words "anticipate", "believe", "estimates", "expects" and similar expressions are intended to identify such forward-looking statements. Readers are cautioned that these statements, which describe Commander's proposed plans, objectives, and budgets, may differ materially from actual results.

The following discussion and analysis of the financial position and results of operations for Commander is dated March 26, 2010 (the "Report Date") and should be read in conjunction with the financial statements and the notes thereto for the year ended December 31, 2009 prepared in accordance with Canadian generally accepted accounting principles.

Summary for the Year Ended December 31, 2009

- The year was highlighted by the execution of a farm-in exploration and financing agreement, announced September 3, 2009, with AngloGold Ashanti ("AngloGold") regarding Commander's district-scale Baffin Island Gold Project, Nunavut. The deal with AngloGold is significant for Commander in that it independently validates the project and its potential, provides an aggressive funding commitment to advance the project and, through the private placement and management fee, re-capitalizes Commander.

- Commander completed a four week exploration program on the Baffin Island Project in late summer, funded by AngloGold as part of the farm-in agreement. The main objective was to follow-up the 2008 results from the newly discovered Kanosak Prospect Area (formerly named the Hebert Prospect Area) and to advance the target area to the drill stage. The summer program included detailed geological mapping, prospecting, channel sampling and geophysics.

    - Two new discoveries (Kanosak South and Kanosak North) were made during the summer program that expanded the Kanosak Prospect from 1.5 kilometres to more than 3.5 kilometres in strike length.
    - In addition, surface sample results reported in early 2010 from the Kanosak Main Zone demonstrated that gold mineralization extends from quartz veins into hosting metasediments. Results such as 9.32 g/t gold over 5.87 metres and 6.85 g/t gold over 2.12 metres include both vein and hosting metasedimentary rock units.
    - Highlights from Kanosak South (formerly named Hebert South), located close to one kilometre south of the Kanosak Main zone, included channel samples from quartz veins carrying 373.9 g/t gold over 0.25 metre, 241.30 g/t gold over 0.25 metre, 104.50 g/t gold over 0.3 metre, 98.71 g/t gold over 0.25 metre and 48.64 g/t gold over 0.44 metre; rock chip and grab samples include 442 g/t gold, 252.90 g/t gold, 134.80 g/t gold and 103.60 g/t gold.
    - At Kanosak North (formerly named Traciane), located 1.5 kilometres north of the Kanosak Main zone, channel samples in quartz veins over a 100-metre outcrop exposure, included 66.84 g/t gold over 0.38 metre, 31.49 g/t gold over 0.85 metre; a further 100 metres to the north of across a small pond, the veins continue with values that include 96.51 g/t gold over 0.2 metre.

- During 2009, Commander exercised its right to vest fully in both the Baffin Island Qimmiq Property and Bravo Property in accordance with existing option acceleration agreements with BHP Billiton and Xstrata, respectively. A cash payment of $575,000 made to Xstrata to fully vest Commander's interest in the Bravo Property was paid by AngloGold, an option provided to AngloGold as part of their farm-in agreement.

- The existing Bravo Property was expanded by staking an additional 42 Mineral Claims covering 34,964 Hectares (86,400 Acres).

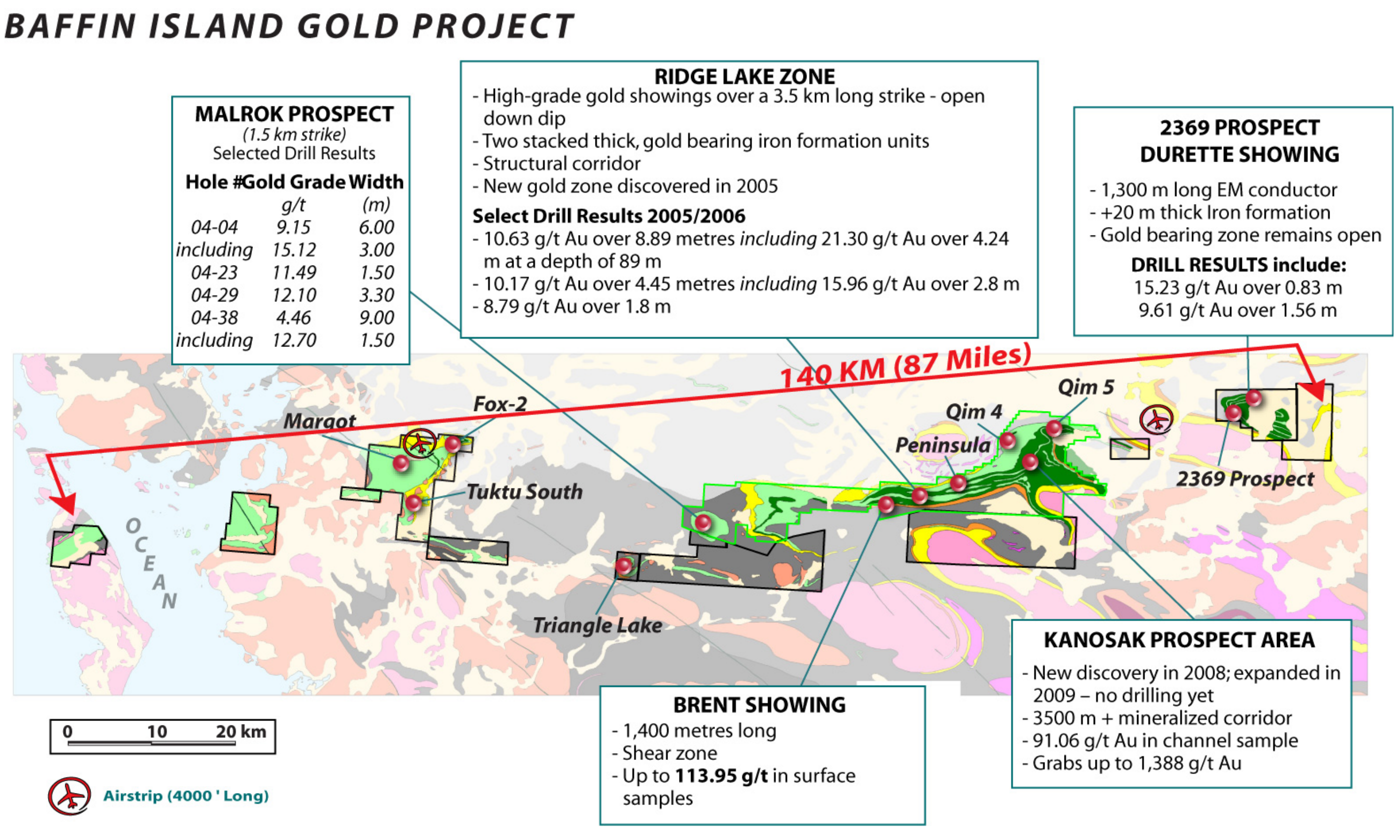
- On February 24, 2009, Commander completed and filed a NI 43-101 technical report on the wholly owned Storm Project, Nunavut. The report was prepared by Scott Wilson Roscoe Postle Associates Inc., Toronto.

- On June 4, 2009, Commander reported that a settlement had been reached with Fjordland Exploration Inc. ("Fjordland") with respect to a shortfall on drilling by Fjordland in 2007 on Commander's Olympic-Rob property, Yukon. Fjordland issued to Commander one million units of Fjordland, comprising one million shares at a fair value of eleven cents per share and one million warrants, exercisable at 16 cents for a period of two years.

Baffin Island Gold Project, Nunavut

The Baffin Gold Project represents a district-scale gold belt that shows similar geological and genetic origins as the large Homestake area in South Dakota and the Morro Velho deposit in Brazil. To date the Baffin Project has yielded numerous gold prospect areas occurring over a strike length in excess of 100 kilometres. The property includes high-grade gold values in at least 3 separate iron formation units, within shear zones and quartz veins in younger granodiorite, gabbro, and metasedimentary units. In each of the different settings, gold occurs primarily as free gold, disseminated, within quartz veins and associated with arsenopyrite. The most advanced prospects are Malrok and Ridge Lake, where multiple significant drill intercepts require follow-up. The Brent Shear Zone, and the Kanosak Prospect Area represent gold targets outside of the iron formation units. The Kanosak Prospect Area was first found in 2007, expanded and enhanced by work completed in 2008, and further expanded with new discoveries in 2009. The Kanosak area has not been drill-tested.

The project area has access to tidewater and is dotted with deep lakes providing access to water throughout the year. There are two "Distant Early Warning" (DEW line) radar stations located on the Property, one with an operational 4,000 foot airstrip. Commander engaged GeoVector Management Inc. of Ottawa to manage the field program in 2006, 2007 and 2008 and 2009.



The major prospects that constitute the Baffin project and recent work by Commander are described as follows:

Qimmiq Property

Malrok, Ridge Lake, Brent, and Kanosak are located on the Qimmiq property along with several of the other gold prospect areas. In 2009, work was only completed on the Kanosak prospect area.

Malrok

Diamond drilling at Malrok in 2004 (3,617 metres in 39 holes) confirmed the continuity of the iron formation with potential for high-grade gold zones. The Malrok zone is composed of iron formation traced through surface sampling and drilling over a strike length of approximately 2 kilometres. The horizon varies in thickness from approximately 0.5 to greater than 9 metres. Surface samples returned high-grade gold assays of up to 212 g/t gold and drilling results down to 50 metres depth included 15.12 g/t gold over 3.0 metres and 12.1 g/t Au over 3.3 metres. The iron formation and gold mineralization extends down-dip from surface for at least 130 metres and remains open along strike and down-dip. No work was completed on Malrok in 2009. Further drilling is planned in 2010 to evaluate the potential of this target area.

Ridge Lake

The Ridge Lake Zone, located 30 kilometres east of Malrok, contains a 3.5 kilometre strike length of gold-bearing iron formation. Previous shallow drilling targeting a 1.3 kilometre portion of the trend defined a structurally-thickened gold-rich iron formation that is host to southwesterly plunging higher grade shoots. Better drill intercepts from these shoots included 10.63 g/t gold over 8.89 metres (including 21.30 g/t gold over 4.24 metres) at a depth of 89 metres down-dip from a high-grade surface outcrop containing 15.4 g/t gold over 1.9 metres. Other notable intercepts included 10.17 g/t gold over 4.45 metres (including 15.96 g/t gold over 2.85 metres) at a depth of 105 metres, 8.79 g/t gold over 1.80 metres, and 17.48 g/t gold over 2.15 metres. The mineralized system remains open and is at the stage where detailed close-spaced drilling is necessary to define the main gold shoots and identify the larger tonnage potential.

Kanosak (formerly named the Hébert Prospect Area)

The Kanosak Prospect Area was first discovered by prospecting in 2007 and expanded with new discoveries in 2008. The discovery was further expanded and enhanced by the 2009 follow-up program. The area, consisting of Kanosak Main, Kanosak South (formerly Hebert South) and Kanosak North (formerly Traciane) outlines a 3.5 kilometre long, 300-400 metre wide structural corridor that remains open to further expansion (refer to Map below for location). Two additional showings, the “Frankie” and “Southeast” showings are located 2 kilometres east and 3.5 kilometres southeast, respectively, from the Kanosak Main gold zone. Both prospects host quartz-arsenopyrite-scorodite vein systems.

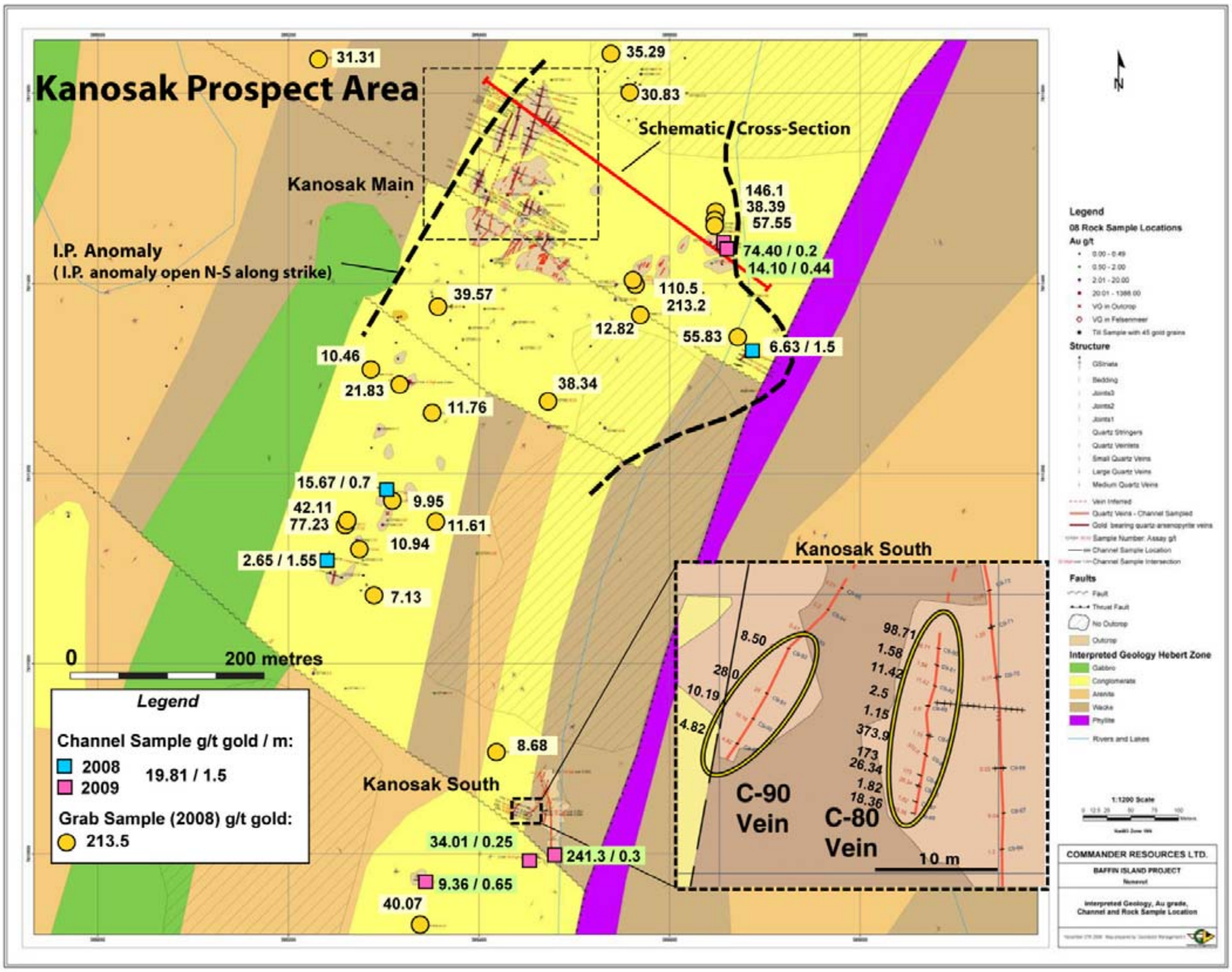
Channel and grab sample results from quartz-arsenopyrite vein sets and intervening stratabound semi-massive gold-bearing arsenopyrite gossans over portions of this corridor included a high percentage of high gold values. Gold mineralization extends from high grade quartz veins into altered arsenopyrite-bearing sedimentary units. The combination of gold in closely-spaced vein sets and in the adjacent wall rocks greatly improves the potential to delineate a large scale body of mineralization on this part of the Baffin gold project. In addition, similarities in vein orientation, style, alteration and gold mineralization confirm that the Kanosak Prospect, which is at least 3.5 km in strike length and 300 m wide, is part of one large gold mineralized system that remains open to extension both to the northeast and southwest.

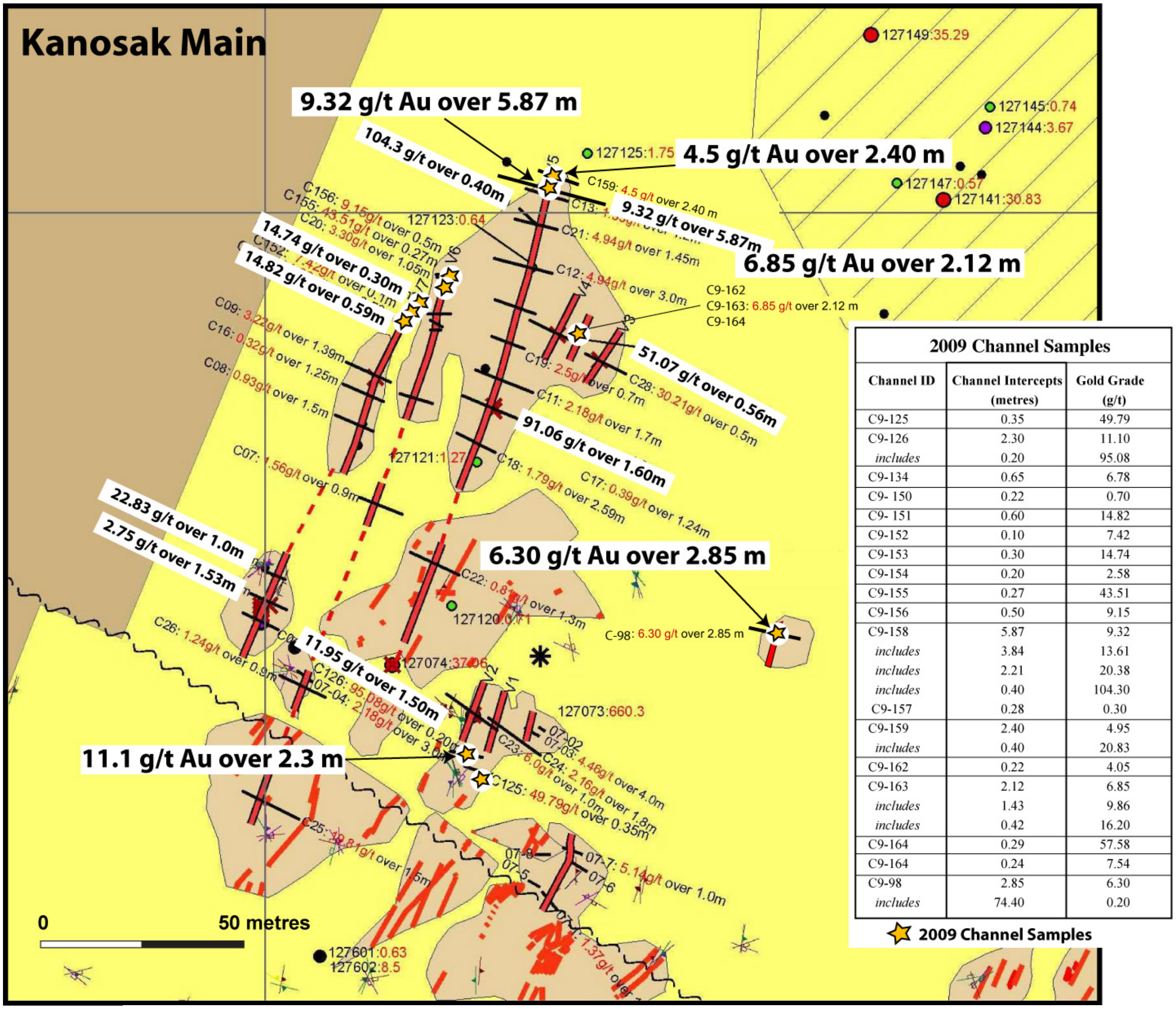
Gold-bearing quartz veins penetrate the gently dipping sedimentary rock package to an unknown depth. Limited outcrop exposure of favourable arsenopyrite-bearing units constrains the amount of sampling that can be done on surface. However, where these units are exposed, significant gold values occur in wall rock adjacent to veins.

There appears to be a close correlation between increased gold values and higher arsenopyrite content in both quartz veins and metasedimentary wall rocks. This provides Commander with a very useful guide for drill targeting since arsenopyrite can be detected by a geophysical survey technique known as Induced Polarization (IP). A test IP survey over the Kanosak Main zone completed in 2009 detected a 300 m long x 350 m wide anomaly coincident with all gold intervals. This IP anomaly is open beyond the survey coverage area. A single test line IP over the southern end of the Kanosak North showing revealed a

200 metre wide chargeability anomaly, commencing at the edge of the vein system and extending eastward under overburden.

Where observed, coarse gold occurs most commonly along partings or boundaries of coarse arsenopyrite contained within quartz veins and to a lesser extent within the quartz veins themselves and within arsenopyrite in the hosting sedimentary rocks. There is an apparent silver-bismuth-lead association with the gold mineralization.





2009 Channel Samples

Channel ID	Channel Intercepts (metres)	Gold Grade (g/t)
C9-125	0.35	49.79
C9-126	2.30	11.10
includes	0.20	95.08
C9-134	0.65	6.78
C9- 150	0.22	0.70
C9- 151	0.60	14.82
C9-152	0.10	7.42
C9-153	0.30	14.74
C9-154	0.20	2.58
C9-155	0.27	43.51
C9-156	0.50	9.15
C9-158	5.87	9.32
includes	3.84	13.61
includes	2.21	20.38
includes	0.40	104.30
C9-157	0.28	0.30
C9-159	2.40	4.95
includes	0.40	20.83
C9-162	0.22	4.05
C9-163	2.12	6.85
includes	1.43	9.86
includes	0.42	16.20
C9-164	0.29	57.58
C9-164	0.24	7.54
C9-98	2.85	6.30
includes	74.40	0.20

Other Prospects

The Brent Shear zone, located 5 kilometres southwest of Ridge Lake consists of a 1,400 metres long shear zone with well developed quartz veining that contains arsenopyrite and pyrrhotite. Surface grab samples returned up to 113.95 g/t gold with 21 of 66 samples assaying greater than 5 g/t gold. 8 holes totalling 994.79 metres were drilled in 2006 and 2007. 2 holes in 2006, drilled 100 metres apart, confirmed the gold potential of the shear zone. The best result was 6.41 g/t gold over 1.0 metre. An additional shear zone with modest gold values was discovered at Brent.

At the Peninsula prospect, located about 6 kilometres east of the Ridge Lake zone, 2 holes were drilled in 2007 2 kilometres apart along a previously untested 6 kilometre portion of the property. Both holes intersected a gold-bearing iron formation similar to the high-grade gold zone at Ridge Lake. One of the holes intersected 3.59 g/t over 1.27 metres, including 8.16 g/t over 0.50 metres confirming the potential of this area.

Bravo Lake Property, Nunavut

The main gold potential on the Bravo property exists on the far eastern group of claims that were originally covered by the 2369 prospecting permit. The main showing area is referred to as Durette. With the discovery of the new Kanosak Prospect area on the adjacent Qimmiq Property and Commander's new partnership with AngloGold on the Baffin Island project, the Bravo Property was expanded by staking in 2009. Base metal (Zn, Pb) and silver potential exists on the Tuktu claim group on the far western portion of the property.

Durette – 2369 Area

Diamond drilling on the Durette prospect in 2006 and 2007 produced modest results, the best being 9.61 g/t gold over 1.56 metres at a depth of 14.30 metres within a 19 metre thick highly silicified iron formation (hole DUR-06-03). This trend is open and continues to the west under cover for 300 metres and into the area where a surface sample collected in 2005 assayed 17 g/t gold. In 2007, 5 holes totalling 550.5 metres drilled along a 500-metre long EM conductor tested the area of mineralization intersected in DUR-06-03. The 2007 drilling intersected thick intervals of silicate iron formation (SIF) ranging from 5 to 30 metres thick and carrying variable amounts of arsenopyrite and pyrrhotite. A high grade assay of 15.23 g/t gold was intersected over 0.83 metres within a 7.02 metre interval grading 2.08 g/t gold in hole Dur-07-09, the easternmost hole drilled at Durette. The gold-bearing intersections (DUR-07-07, 08, 09 and 10) occur over a strike length of 225 metres and within 40 metres of surface and are open at depth and along strike. This zone is completely open to the east, where the Durette gold zone trends into a large, shallow lake and the conductor is continuous to the last line at lakeshore.

The offset portion of the Durette conductor continues for a further 1,500 metres to the west. This offset has not been tested by drilling and is largely covered by overburden. A separate discrete conductor, located 1 kilometre to the southwest of Durette is 900 metres in length and associated with previously reported surface gold values grading up to 9.5 g/t gold (2369) from prospecting samples.

<u>Other Active Properties</u>

Storm Project (copper, zinc), Nunavut

In the Spring of 2008, the Commander acquired a significant new copper and zinc property located on northwest Somerset Island, Nunavut, approximately 150 kilometres south of the commercial airport and service centre of Resolute Bay on neighbouring Cornwallis Island. The property consists of the *Storm Copper Zone* that includes 4 near-surface, high-grade centres of copper mineralization, within a 7 kilometre-long mineralized structural corridor, and the *Seal Zinc Zone*, which is adjacent to tidewater.

The property was discovered and explored by Teck Cominco Ltd. between 1995 and 2000, during which time a total of 67 shallow holes were drilled on the Storm Copper area and 31 holes were drilled on or in the vicinity of the Seal zinc zone. Work on the property ceased in 2001 due to weak metal prices and the soft metal markets. The mineral claims lapsed over the subsequent 6 years as the credits ran out. Commander's acquisition of the property was confirmed on April 1, 2008.

Commander retained Scott Wilson Roscoe Postle Associates Inc. to complete a National Instrument 43-101 technical report to qualify the historical work and assay data. This report was completed and filed in early 2009.

Storm Copper Zone

4 zones of copper mineralization, named 2200N, 2750N, 3500N and 4100N hosted by Paleozoic carbonates, outcrop at surface and extend to depths of at least 100 metres. These are located within 16 to 20 kilometres of tidewater. Chalcocite and bornite are the dominant copper sulphides.

- 4100N zone - copper mineralization starts at a depth of about 50 metres below surface, extends over an area of at least 1,000 metres by 400 metres and remains open. The best intercepts from 17 drill holes include 3.5% Cu over 17.2 metres, 2% Cu over 10.2 metres, 2.33% Cu over 4.9 metres, 1.14% Cu over 52.2 metres, including 2.41% Cu over 7.3 metres, and 1.16% Cu over 52.2 metres, including 3.27% Cu over 10.2 metres.

- 2750N zone - surface exposure over 200 metres of strike;, historical drill intersections include 2.92% Cu over 105 metres starting at surface (including 5.09% Cu over 53.9 metres), 3.1% Cu over 58.4 metres (including 4.54 % Cu/35.5 metres and 9.56% Cu over 13.3 metres).
- 2200N zone, surface exposure over 500 metres of strike, includes drill intercepts of 2.46 % Cu over 26 metres starting at surface (including 3.76 % Cu over 15 metres), 1.56 % Cu over 50.9 metres starting at surface (including 9.29 % Cu over 6.4 metres from surface) and 1.93 % Cu over 10.6 metres at a depth of 38 metres.

- The 3500N zone, exposed at surface over a 300-metre strike length, includes 0.96% Cu over 95.6 metres (including 2.2% Cu over 12.6 metres starting at 7.6 metres) and 3.09% Cu over 8.2 metres at a depth of 33.4 metres.

Seal Zinc Zone

- The Seal zinc zone is located on tidewater, 20 kilometres to the west from the centre of the copper mineralization and within the same structural trend. The Seal zone is stratabound, consisting of massive-to-disseminated and vein-filled sphalerite, marcasite and minor pyrite hosted by a clean, white sandstone unit that is stratigraphically below the main copper mineralization at Storm Copper. 14 holes drilled on the target intersected high-grade zinc mineralization hosted by a sandstone unit and includes historical drill intercepts up to 10.5% Zn and 28 g/t Ag over 18 metres of drill core. Drilling also identified intense hydrothermal alteration extending over a 600-metre-long, 150-metre-thick zone in the footwall carbonate units to the main massive sulphide zone.

Selected Annual Information

Selected annual information from the audited financial statements for the years ended December 31, 2009, 2008, and 2007.

		2009		2008		2007
Total revenues	$	Nil	$	Nil	$	Nil
Loss before other items		(791,205)		(1,033,364)		(1,625,291)
Loss for the year		(227,403)		(59,889)		(1,070,381)
Basic and diluted loss per share		(0.01)		(0.01)		(0.02)
Total assets	$	24,341,591	$	23,616,839	$	23,083,303
Total long-term liabilities		Nil		Nil		Nil
Cash dividends per share	$	Nil	$	Nil	$	Nil

Results of Operations

- Fourth Quarter Results

During the quarter ended December 31, 2009, the majority of Commander's activities related primarily to the Baffin Island Gold Project, Nunavut and cost-cutting measures and marketing the Company's portfolio projects to prospective partners or buyers. The mineral property expenditures decreased by a net of $230,904 mainly due to recoveries from AngloGold on the Baffin Island Gold Project. Commander incurred total general and administrative expenses of $215,846 of which $59,183 was non-cash stock-based compensation.

- Year Ended December 31, 2009 compared with the Year Ended December 31, 2008

Commander had no revenue for the year ended December 31, 2009. General and administrative expense of $791,205 (2008 - $1,033,364) represented a $242,159 decrease over the comparative fiscal period last year. The Company had an expense reduction program during the year and had re-negotiated a reduction in fees with some of its service providers. The decrease was mostly attributable to the $92,364 decrease in salaries and benefits, $67,009 decrease in investor relations, $39,894 decrease in accounting and audit, and $27,191 decrease in office and miscellaneous. Other notable changes include:

- Consulting expense of $36,388 (2008 - $44,304) decreased in the year ended December 31, 2009. The consulting expense related mainly to management and financial services provided by a company controlled by an officer of the Company. There had been negotiated reduction in the rate of fees to be charged for the year.

- Investor relations and promotion expense of $112,862 decreased from $179,871 in 2008. A breakdown is as follows:

	For the Year Ended		For the Three Months Ended	
	December 31, 2009	**December 31, 2008**	**December 31, 2009**	**December 31, 2008**
Conferences and trade shows	27,141	63,640	4,032	6,038
Consulting, wages and benefits	64,556	82,341	15,443	20,299
Media	14,031	13,526	6,077	2,228
Administration	114	(35)	(32)	(35)
Promotion and advertising	7,020	20,399	3,217	4,495
Total Investor Relations Expenses	**$112,862**	**$179,871**	**$28,737**	**$33,025**

There had been cut backs on the wages, trade shows and other expenses during the year.

- Salaries and benefits expense decreased to $173,109 compared to $265,473 in 2008 as a result of the re-negotiation of the rate of pay with some of the employees.

- Accounting and audit expense decreased to $89,600 in the year ended December 31, 2009, compared to $129,494 in 2008. Reduced rate of the accounting expense had been negotiated for the year.

- Office and miscellaneous expenses were $38,124 in the year ended December 31, 2009, compared to $65,315 in 2008 representing the result of the cost reduction program of the Company.

- Regulatory and transfer agent fees decreased slightly from $30,564 in 2008 to $29,166 for the year ended December 31, 2009.

For the year ended December 31, 2009, Commander's loss after tax was $227,403 (2008 – $59,889). The increase in loss was largely due to the mineral property recovery of $Nil (2008 – $561,257).

Summary of Quarterly Results

	Mar. 31 2008 Q1	Jun. 30 2008 Q2	Sep. 30 2008 Q3	Dec. 31 2008 Q4	Mar. 31 2009 Q1	June 30 2009 Q2	Sept. 30 2009 Q3	Dec. 31 2009 Q4
Mineral property costs, net	$ 195,753	$ 612,841	$ 1,651,255	$ (96,916)	$ 132,312	$ (485,577)	$ (32,219)	$ 235,920
G&A (incl. stock comp.)	$ 287,433	$ 300,238	$ 255,147	$ 190,545	$ 172,254	$ 167,060	$ 236,045	$ 215,846
Stock comp. expense	$ 3,390	$ 57,535	$ 72,115	$ 17,970	$ 10,637	$ 25,726	$ 74,273	$ 59,183
Adjusted G&A (less stock comp.)	$ 284,043	$ 250,337	$ 184,913	$ 172,575	$ 161,617	$ 141,334	$ 161,772	$ 156,663
Income (loss)	$ 855,880	$ (294,334)	$ (248,947)	$ (372,488)	$ 443,318	$ (636,679)	$ (234,046)	$ 200,004
Income (loss) per share								
-basic	$ 0.01	$ (0.00)	$ (0.00)	$ (0.00)	$ 0.01	$ (0.01)	$ (0.00)	$ 0.00
-diluted	$ 0.01	$ (0.00)	$ (0.00)	$ (0.00)	$ 0.01	$ (0.01)	$ (0.00)	$ 0.00
Weighted avg. common shares								
-basic	69,917,308	69,969,122	77,809,926	79,542,081	79,572,516	79,572,516	79,591,538	84,665,907
-diluted	83,477,092	69,969,122	77,809,926	79,542,081	86,910,444	79,572,516	79,591,538	84,665,907

Non-GAAP Financial Measures

Since the adoption of the Canadian Institute of Chartered Accountants (“CICA”) accounting standard for stock-based compensation, Commander’s general and administrative quarterly expense has fluctuated significantly. The granting and vesting of stock options is at the discretion of the Board of Directors and the resulting expense does not reflect the normal operations of Commander. Commander has included “adjusted general and administrative expense” without the stock-based compensation expense to be more reflective of normal operations. This financial measure does not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures presented by other corporations or entities.

Liquidity

At December 31, 2009, Commander had $2,028,671 in working capital. There were no exploration funds which were raised through the issuance of flow-through shares included in the cash and cash equivalents balance. With the newly formed partnership with AngloGold Ashanti, Commander believes it has sufficient funds to complete the planned business objectives for 2010.

At December 31, 2009, Commander had an accounts receivable balance of $138,318 of which $102,383 general accounts receivables are mainly related to the partnership with AngloGold on the exploration costs incurred on Baffin Island property. As at the date of this report, these accounts receivables have been received from AngloGold and will largely offset the accounts payable and accrued liabilities of $71,696 in trade payables on the costs incurred on the Baffin Island projects.

Commander has relied on equity financings to meet its cash requirements. In 2009, the Company’s Farm-in and Joint Venture Agreement with AngloGold created both immediate equity financing of $1.2 million and funding of $20 million in exploration expenditures by December 31, 2014. Although Commander has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that Commander will be able to obtain adequate financing in the future or that the terms of such financings will be favourable.

Capital Resources

Commander has active option agreements under which Commander is required to meet certain obligations during fiscal 2009 to keep the options in good standing:

- On the Couteau Lake option agreement, which covers a small portion of the western portion of the Hermitage property, aggregate expenditures required on the property covered by this agreement are $180,000 by April 22, 2008. Expenditures to

December 31, 2007 total $133,000. The parties to the agreement agreed to extend the expiry date for the option to April 2, 2010. There are no obligations for expenditures in 2009.

Off-Balance Sheet Arrangements

Commander has not entered into any Off-Balance Sheet Arrangements.

Related Party Transactions

At December 31, 2009, marketable securities included 258,000 common shares of Diamonds North Resources Ltd., a company related by a director in common.

Commander shares certain administrative and other costs with 4 other companies related by virtue of directors in common. Included in accounts receivable is an aggregate of $1,676 owed by those companies. Included in due from related parties is also an amount of $486 owed by a company controlled by an officer for expenses.

During the year ended December 31, 2009, Commander paid or accrued $8,713 in legal fees, share issuances and mineral properties costs to a law firm in which a director of Commander is a partner. During the year ended December 31, 2009, Commander paid or accrued $80,100 in consulting fees to two companies controlled by two officers of Commander.

Given that Commander's directors and officers are engaged in a wide range of activities in the junior resource industry, Commander operates under the Conflict of Interest provisions found within the Business Corporations Act of British Columbia. In addition, management has adopted language from these provisions and incorporated them into Commander's Code of Business Conduct and Ethics.

Accounts payable to a company related by directors in common on December 31, 2009 amounted to $2,946; $219 was payable to a law firm in which a director of Commander is a partner, and $669 was payable to a company controlled by an officer. Related party transactions are recorded at the carrying amount and have no interest or stated terms of repayment.

Proposed Transactions

On March 9 2010, the Company signed a Letter of Intent ("LOI") with BMB Capital Corp. ("BMB"), a Capital Pool Company ("CPC") whereby BMB may acquire an initial 50% interest ("Initial Interest") in the Company's Green Bay mineral property, host to the Orion gold deposit (the "Property") in Newfoundland, Canada. The LOI also provides BMB the further option of increasing its ownership in the Property to 100%. The acquisition is subject to TSX Venture Exchange acceptance.

As conditions for the acquisition of the Initial Interest in the Property, BMB will issue to the Company 12,000,000 shares of BMB and will raise $1 million through completion of a private placement financing to be used by BMB for conducting mineral exploration activities on the Property. In addition, BMB will be responsible for funding all exploration expenditures on the Property and must spend a minimum of $1 million within the 18 month period following final approval.

BMB will have the right to acquire the remaining 50% interest in the Property by issuing a further 5,000,000 shares of BMB to the Company pursuant to the timelines described in the LOI.

Critical Accounting Estimates

The most significant accounting estimates for Commander relates to the carrying value of its mineral property assets. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or Commander's assessment of its ability to sell the property for an amount exceeding the deferred costs, a provision is made for the impairment in value.

Management's estimates of exploration, operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its properties.

Another significant accounting estimate relates to accounting for stock-based compensation. Commander uses the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of Commander's stock options granted/vested during the year.

Adoption of New Accounting Policies

(a) Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted CICA Section 3064, "Goodwill and Intangible Assets". This 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. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this section had no impact on the Company's financial statements.

(b) Future accounting changes

The following are new CICA accounting standards that have been issued but not yet adopted by Commander:

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The effective date for the Company is for interim and annual financial statements commencing January 1, 2011. The transition will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(ii) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

Financial Instruments

(a) Fair value

The Company has classified its financial instruments as follows:

Cash and cash equivalents – as held-for-trading
Marketable securities –as available for sale
Accounts receivable – as loans and receivables
Due from related parties – as loans and receivables
Investment in warrants – as held-for-trading
Accounts payable and accrued liabilities – as other financial liabilities.

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair values because of the short term to maturity of these financial instruments.

The fair values of amounts due from related parties cannot be reliably measured since there is no quoted price for such instruments

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table summarizes fair value measurement by level at December 31, 2009 for assets and liabilities measured at fair value on a recurring basis.

	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities	$ 321,067	$ 321,067	$ -	$ -
Investment in warrants	$ 66,600	$ -	$ 66,600	$ -

As the carrying values of the Company's remaining financial instruments approximate their fair value, disclosure is not made of their level in the fair value hierarchy.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has cash and cash equivalents at December 31, 2009 in the amount of $1,425,152 in order to meet short-term business requirements. At December 31, 2009, the Company had accounts payable and accrued liabilities of $244,980. All of the Company's current liabilities are due within 30 days.

(c) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents and due from related parties. This risk is minimized as the cash and cash equivalents have been placed with a major Canadian financial institution. The Company is not exposed to credit risk on its receivables. Credit risk with respect to amounts due from related parties has been assessed as low by management as the Company has strong working relationships with the parties involved.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at a major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

		2009		2008
Cash	$	1,410,152	$	945,486
Term deposit with interest 0.2% (2008 – 2.2%), maturing on July 23, 2010		15,000		15,000
	$	1,425,152	$	960,486

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents consists of cash held in bank accounts and a guaranteed investment certificate that earns interest at 0.2%. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2009.

Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. Given the balance of the term deposit at year-end, any fluctuations in the interest rate would lead to an immaterial change in net income (loss) and comprehensive income (loss).

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to their marketable securities.

Other MD&A Requirements

Additional information relating to Commander, including Commander's most recent Annual Information Form, is available on SEDAR at www.sedar.com.

As at the Report Date, Commander had 90,589,516 issued common shares outstanding and the following unexercised stock options and warrants:

- Stock Options

Number of Shares	Exercise Price	Expiry Date
333,000	$0.25	July 19, 2010
282,000	$0.39	May 7, 2011
646,500	$0.30	June 19, 2011
400,000	$0.87	January 2, 2012
200,000	$0.41	May 8, 2012
1,196,500	$0.36	June 7, 2012
70,000	$0.19	December 21, 2012
760,000	$0.18	February 7, 2013
200,000	$0.21	June 24, 2013
290,000	$0.10	October 17, 2013
700,000	$0.10	February 20, 2014
1,404,000	$0.10	May 12, 2014
200,000	$0.39	January 19, 2015
1,873,500	$0.35	January 27, 2015
8,555,500		

- Warrants

Number of Shares	Exercise Price	Expiry Date
5,000,000	$0.24	November 17, 2011
5,000,000		

Mineral Property Expenditure Table

	Baffin, Nunavut		Other Properties	Total
	Qimmiq	Bravo Lake		
Balance at December 31, 2008	$ 9,924,937	$ 2,443,415	$ 9,838,597	**$ 22,206,949**
Additions during the year:				
Acquisition costs	-	625,000	-	**625,000**
Exploration costs:				
Drilling	16,561	-	27,425	**43,986**
Geochemistry	24,631	-	124	**24,755**
Geology	505,849	29,409	98,059	**633,317**
Geophysics	87,389	-	700	**88,089**
Mobilization/demobilization	55,926	3,870	-	**59,796**
Environment	-	-	1,083	**1,083**
Property	76,252	429	25,686	**102,367**
Prospecting	1,846	-	-	**1,846**
Trenching/line cutting	30,699	-	-	**30,699**
Administration and other, net	12,720	1,680	150	**14,550**
	811,873	35,388	153,227	**1,000,488**
Less:				
Recoveries	(992,440)	(575,000)	(193,850)	**(1,761,290)**
Write down	-	-	(13,762)	**(13,762)**
	(992,440)	(575,000)	(207,612)	**(1,775,052)**
Net additions	(180,567)	85,388	(54,385)	**(149,564)**
Balance at December 31, 2009	**$ 9,744,370**	**$ 2,528,803**	**$ 9,784,212**	**$ 22,057,385**

IFRS Changeover Plan

The Company has begun the process of transitioning from Canadian GAAP to IFRS. It has established a project plan and allocated internal resources. It is in the process of evaluating its overall readiness to transition from GAAP to IFRS including the readiness of its staff, Board of Directors, Audit Committee and auditors.

The IFRS convergence project consists of three primary phases, which in certain cases will occur concurrently as IFRS is applied to specific areas:

- Phase 1 – Initial Scoping and Impact Assessment Analysis: to isolate key areas that will be impacted by the transition to IFRS.
- Phase 2 – Evaluation and Design: to identify specific changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statements.
- Phase 3 – Implementation and Review: to execute the changes to information systems and business processes, completing formal authorization processes to approve recommended accounting policy changes and training programs across the Company's finance and other staff, as necessary. This will culminate in the collection of financial information necessary to compile IFRS compliant financial statements, including embedding IFRS principles in business processes, and Audit Committee review and approval of the financial statements.

The Company is now in the initial scoping and impact assessment analysis phase. It is expected to complete the evaluation and design phase by Q2 of 2010, and complete the quantification of financial statement impacts by Q3 2010.

First-time Adoption of International Financial Reporting Standards

IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), sets forth guidance for the initial adoption of IFRS. Commencing for the period ended March 31, 2011, the Company will restate its comparative fiscal 2010 financial statements for annual and interim periods to be consistent with IFRS. In addition, the Company will reconcile equity and net earnings from the previously reported fiscal 2010 GAAP amounts to the restated 2010 IFRS amounts.

IFRS generally requires that first-time adopters retrospectively apply all IFRS standards and interpretations in effect as at the first annual reporting date. IFRS 1 provides for certain mandatory exceptions and optional exemptions to this general principle.

The Company anticipates using the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations*, prospectively from the Transition Date;
- to apply the requirements of IFRS 2, *Share-based Payments*, to equity instruments granted which had not vested as of the Transition Date;
- to apply the borrowing cost exemption and apply IAS 23, *Borrowing Costs*, prospectively from the Transition Date; and
- to elect not to comply with IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, for changes in such liabilities that occurred before the Transition Date.

Changes to estimates previously made are not permitted. The estimates previously made by the Company under GAAP will not be revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

Impact of Adoption of IFRS on Financial Reporting

While GAAP is in many respects similar to IFRS, conversion will result in differences in recognition, measurement, and disclosure in the financial statements. Based on a high-level scoping assessment, the following financial statement areas are expected to be significantly impacted:

Property, Plant and Equipment (PP&E)

Under IAS 16, *Property, Plant and Equipment*, are recognized initially at cost if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Costs include all expenditures directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Under IAS 16, each part of an item of PP&E with a cost that is significant in relation to the total cost of the item shall be depreciated separately. In order to meet this requirement, componentization is generally required. The Company does not currently componentize to the same level as would be required under IFRS. Componentization would be required only to the extent that different depreciation methods or rates are appropriate and those components are material. In addition major inspections or overhaul costs are identified and accounted for as a separate component under IFRS if that component is used for more than one period. The Company does not currently have a policy for major overhaul costs. Practically, this should be factored into the determination of the components of PP&E.

Income Taxes

IAS 12, *Income Taxes*, requires the recognition of deferred tax assets or liabilities for all deductible and taxable temporary differences except for temporary differences created in a transaction that is:

(a) not a business combination and
(b) at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognized to the extent it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Under GAAP, tax assets are recognized if it is more likely than not. Probable is not defined in IAS 12. However, entities have often used a definition of more likely than not similar to GAAP. However, IAS 12 does not preclude a higher threshold. Accordingly, a difference will not result as long as the Company uses more likely than not as its definition of probable.

Impairment of Assets

Per IAS 36, *Impairment of Assets*, an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity should estimate the recoverable amount of the asset. The indicators of impairment are generally consistent with those of GAAP. An asset should be written down to its recoverable amount if the recoverable amount is less than its carrying value.

The recoverable amount is equal to the higher of the fair value less cost to sell and its value in use. It is not necessary to determine both if one indicates no impairment exists. The value in use is based on a discounted cash flow model. This approach is different than GAAP (i.e. one step model under IFRS compared to two step model under GAAP). To the extent possible, individual assets should be tested for impairment. However, if it is not possible to determine the recoverable amount of an individual asset, an entity should determine the recoverable amount of the Cash Generating Unit ("CGU") to which the asset belongs. The definition of a CGU is different from the Canadian definition of an Asset Group.

In addition, the Company has in the past written down mineral property amounts for certain mineral properties. Under IAS 36, the Company would be required to reconsider whether there is any indication that an impairment loss recognized in a prior period may no longer exist or has decreased on transition and thereafter on an annual basis. If such indicators exist, a new recoverable amount should be calculated and all or part of the impairment charge should be reversed to the extent the recoverable amount exceeds its carrying value. This is different than GAAP where write ups are not permitted.

Asset Retirement Obligations ("ARO")

Under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, an ARO is recognized when there is a legal or constructive obligation to restore a site for damage that has already occurred, it is probable a restoration expense will be incurred and the cost can be estimated reliably. This is different than GAAP where only legal obligations are considered. Cost includes the cost of dismantling and removing items and restoring the site on which it is located, the obligation for which is incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories. This is different from GAAP where all change in ARO are recognized as a cost of the related asset. Under IFRS, the amount recognized as a provision shall be the best estimate of the expenditures required to settle the present obligation. This is significantly different from GAAP where third party costs are required. Under IAS 37, the provision would be based on management's best estimate. This estimate could be a third party cost if it is management's intention to hire a third party to complete the work or an internal estimate of the cost if the Company intends to use its own equipment and resources to do this work.

Where the effect of the time value of money is material, the amount of the provision should be the present value of the expenditures expected to be required to settle the obligation. This is consistent with GAAP. However, the discount rate used would be a pre-tax rate specific to the liability rather than the Company's credit adjusted risk free rate and should not reflect risks for which the future cash flow estimates have been adjusted. Unwinding of the discount (i.e. accretion) is included in finance costs.

The ARO provision should be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Changes may result from changes in the amount or timing of the cash out flows or changes in discount rates. This is different from GAAP where changes in discount rates alone would not result in a change in the ARO. Accordingly, the Company will need to assess the discount rate applicable to the ARO on an ongoing basis.

IFRS Impact on Our Organization

The conversion to IFRS will impact the way the Company presents its financial results. The first financial statements prepared using IFRS (i.e. interim financial statements for the three months ended March 31, 2011) will be required to include numerous notes disclosing extensive transitional information and full disclosure of all new IFRS accounting policies.

The Company has obtained an understanding of IFRS from training of its finance personnel.

The Company is currently evaluating the impact of the conversion on its accounting systems and has not determined whether significant changes to its accounting systems are required. The Company expects to complete this evaluation by Q3 2010.

In addition, the Company will evaluate its internal and disclosure control processes as a result of its conversion to IFRS, assess the impacts of adopting IFRS on its contractual arrangements to identify any material compliance issues such as its debt covenants and other commitments and consider the impacts the transition will have on its internal planning process and compensation arrangements. The Company expects to complete this evaluation by Q3 2010.

COMMANDER RESOURCES LTD.

FINANCIAL STATEMENTS

For the Years Ended
December 31, 2009 and 2008

COMMANDER RESOURCES LTD.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Commander Resources Ltd. (an exploration stage company) have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded, all transactions are authorized and duly recorded, and financial records are properly maintained to facilitate financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the financial statements with management and the external auditors. Smythe Ratcliffe LLP, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the financial statements and their report is included herein.

"Kenneth E. Leigh"

Kenneth E. Leigh
President and Chief Executive Officer

Vancouver, British Columbia
March 22, 2010

SmytheRatcliffe
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

TO THE SHAREHOLDERS OF COMMANDER RESOURCES LTD.
(an exploration stage company)

We have audited the balance sheets of Commander Resources Ltd. (an exploration stage company) as at December 31, 2009 and 2008 and the statements of operations, comprehensive loss, cash flows and shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 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.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
March 22, 2010

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

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Fax: 604 688 4675
smytheratcliffe.com

COMMANDER RESOURCES LTD.
(An Exploration Stage Company)

Balance Sheets
As at December 31

		2009		2008
ASSETS				
Current assets				
Cash and cash equivalents (Note 3)	$	1,425,152	$	960,486
Marketable securities (Notes 4 and 10(c))		321,066		172,513
Investment in warrants (Note 6)		66,600		-
Accounts receivable		138,318		70,390
Due from related parties (Note 10(a))		2,163		11,819
Prepaid expenses		38,227		41,217
Field supplies		282,125		131,193
		2,273,651		1,387,618
Mineral properties (Note 7)		22,057,385		22,206,949
Property and equipment (Note 8)		10,555		22,272
	$	**24,341,591**	**$**	**23,616,839**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 10)	$	244,980	$	180,867
Future income taxes (Note 13)		1,472,945		1,440,365
		1,717,925		1,621,232
SHAREHOLDERS' EQUITY				
Share capital (Note 9)		37,232,067		36,573,769
Contributed surplus		965,352		230,695
Option compensation		1,078,438		1,662,513
Deficit		(16,317,772)		(16,090,369)
Accumulated other comprehensive loss		(334,419)		(381,001)
		22,623,666		21,995,607
	$	**24,341,591**	**$**	**23,616,839**

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Note 14)

Approved on behalf of the Directors:

	"Kenneth E. Leigh"	*"Michael W. Byrne"*
	Kenneth E. Leigh	Michael W. Byrne

See Accompanying Notes to the Financial Statements

COMMANDER RESOURCES LTD.
(An Exploration Stage Company)

Statements of Operations
For the Years Ended December 31

	2009	2008
General and administrative expenses		
Accounting and audit	$ 89,600	$ 129,494
Amortization	12,467	18,723
Annual report and meeting	5,284	3,719
Consultants	36,388	44,304
Insurance	42,243	45,574
Investor relations and promotion	112,862	179,871
Legal	9,806	15,387
Office and miscellaneous	38,124	65,315
Regulatory and transfer agent fees	29,166	30,564
Rent and storage	72,337	83,930
Salaries and benefits	173,109	265,473
Stock-based compensation (Note 9(c))	169,819	151,010
Loss before the undernoted	**(791,205)**	**(1,033,364)**
Interest income	1,701	27,494
Property investigation	(2,707)	(3,283)
Write-down of mineral properties	(13,762)	(274,209)
Mineral property recovery	-	561,257
Flow-through charges	-	(43,505)
Realized gain (loss) on disposal of marketable securities	(11,606)	213,645
Unrealized loss on derivative instruments (Note 6)	(1,600)	-
Loss before taxes	**(819,179)**	**(551,965)**
Future income tax recovery (Note 13)	591,776	492,076
Net loss for the year	**$ (227,403)**	**$ (59,889)**
Loss per share - basic and diluted	$ (0.003)	$ (0.001)
Weighted average number of common shares outstanding	80,890,261	74,296,795

See Accompanying Notes to the Financial Statements

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Statements of Comprehensive Loss
For the Years Ended December 31

	2009	2008
Net loss for the year	$ (227,403)	$ (59,889)
Unrealized gain (loss) on available-for-sale marketable securities	43,193	(546,213)
Transfer to income (loss) on sale of marketable securities	10,156	(49,755)
Future income tax (expense) recovery	(6,767)	96,845
Other comprehensive income (loss)	46,582	(499,123)
Comprehensive loss for the year	$ (180,821)	$ (559,012)

See Accompanying Notes to the Financial Statements

COMMANDER RESOURCES LTD.

(An Exploration Stage Company)

Statements of Cash Flows
For the Years Ended December 31

		2009		2008
Cash provided from (used for):				
Operating activities				
Net loss for the year	$	(227,403)	$	(59,889)
Items not involving cash:				
Amortization		12,467		18,723
Loss (gain) on sale of marketable securities		11,606		(213,645)
Stock-based compensation		169,819		151,010
Unrealized loss on derivative instruments		1,600		-
Write-down of mineral properties		13,762		274,209
Future income tax recovery		(591,776)		(492,076)
		(609,925)		**(321,668)**
Changes in non-cash working capital items:				
Accounts receivable		7,602		96,744
Government grant receivable		-		100,000
Due from related parties		9,656		346
Prepaid expenses		2,990		13,975
Field supplies		(150,932)		(21,941)
Recoverable deposits		-		57,638
Accounts payable and accrued liabilities		10,114		(60,415)
Cash used in operating activities		**(730,495)**		**(135,321)**
Investing activities				
Proceeds from sale of marketable securities		3,190		322,890
Recoveries from mineral properties		1,583,090		105,466
Mineral property acquisition and exploration costs		(1,625,488)		(2,980,508)
Accounts receivables related to mineral properties		(75,530)		-
Accounts payable and accrued liabilities related to mineral properties		53,999		(589,601)
Purchase of equipment		(750)		-
Cash used in investing activities		**(61,489)**		**(3,141,753)**
Financing activities				
Shares issued for cash, net of issue costs		1,256,650		2,137,124
Cash provided by financing activities		**1,256,650**		**2,137,124**
Increase (decrease) in cash and cash equivalents		**464,666**		**(1,139,950)**
Cash and cash equivalents, beginning of year		960,486		2,100,436
Cash and cash equivalents, end of year (Note 3(c))	**$**	**1,425,152**	**$**	**960,486**

Supplemental Cash Flow Information (Note 12)

COMMANDER RESOURCES LTD.
(An Exploration Stage Company)

Statement of Shareholders' Equity

	Share Capital		Contributed	Option		Accumulated Other	Total
	Shares	**Amount**	**Surplus**	**Compensation**	**Deficit**	**Comprehensive Income (Loss)**	**Shareholders' Equity**
Balance, December 31, 2007	**69,849,660**	**$ 34,803,607**	**$ 69,400**	**$ 1,672,798**	**$ (16,030,480)**	**$ 118,122**	**$ 20,633,447**
Net loss for the year					(59,889)		(59,889)
Unrealized loss on available-for-sale marketable securities, net of taxes						(449,368)	(449,368)
Transfer to income on sale of marketable securities						(49,755)	(49,755)
Shares issued for cash							
Private placement	9,300,000	2,202,000					2,202,000
Agent's compensation	251,856	52,890					52,890
Share issue costs		(117,766)					(117,766)
Non-cash transactions							
Income tax effect on flow-through share renunciation		(410,312)					(410,312)
Reclassification of option compensation on expiry of options			161,295	(161,295)			-
Property acquisition	171,000	43,350					43,350
Stock-based compensation				151,010			151,010
Balance, December 31, 2008	**79,572,516**	**36,573,769**	**230,695**	**1,662,513**	**(16,090,369)**	**(381,001)**	**21,995,607**
Net loss for the year					(227,403)		(227,403)
Unrealized gain on available-for-sale marketable securities, net of taxes						36,426	36,426
Transfer to income on sale of marketable securities						10,156	10,156
Shares issued for cash							
Private placement	10,000,000	1,200,000					1,200,000
Exercise of options	635,000	63,500					63,500
Share issue costs		(6,850)					(6,850)
Non-cash transactions							
Income tax effect on flow-through share renunciation		(617,589)					(617,589)
Reclassification of option compensation on exercise of options		19,237		(19,237)			-
Reclassification of option compensation on expiry of options			734,657	(734,657)			-
Stock-based compensation				169,819			169,819
Balance, December 31, 2009	**90,207,516**	**$ 37,232,067**	**$ 965,352**	**$ 1,078,438**	**$ (16,317,772)**	**$ (334,419)**	**$ 22,623,666**

See Accompanying Notes to the Financial Statements

1. Nature of Operations and Going Concern

Commander Resources Ltd. (the "Company") is in the process of actively exploring and developing its mineral properties and has not yet determined whether these properties contain mineral resources that are economically recoverable. The Company has not earned significant revenues from its resource property interests and is considered to be in the exploration stage.

The Company's financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast doubt on the validity of this assumption. The business of mining exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead, pay its debts and liabilities, and maintain its mineral interest. The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition, exploration and development of mineral properties, is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and continue to explore mineral property interests. There is no assurance that these plans will be successful.

For the year ended December 31, 2009, the Company reported a net loss of $227,403 (2008 - $59,889), has a deficit of $16,317,772 (2008 - $16,090,369) and accumulated other comprehensive loss of $334,419 (2008 - $381,001). The Company also had working capital of $2,028,671 (2008 - $1,206,751). Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions.

2. Significant Accounting Policies

These financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars.

(a) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of environmental obligations, asset retirement obligations ("ARO"), accrued liabilities, the fair values of financial instruments, rates of amortization for property and equipment, recoverability of accounts receivable and resource properties, calculation of future income taxes and the variables used in the calculation of stock-based compensation. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(b) Cash and cash equivalents

Cash and cash equivalents include highly-liquid investments that are readily convertible to known amounts of cash and have maturities of three months or less from the date acquired.

2. Significant Accounting Policies (continued)

(c) Marketable securities

Marketable securities are classified as available-for-sale and are carried at quoted market values. Resulting unrealized gains or losses, net of applicable income taxes, are reflected in other comprehensive income or loss, while realized gains or losses are included in operations.

(d) Investment in warrants

Warrants of publicly traded securities, which do not have a quoted price, are carried at an estimated fair value calculated using the Black-Scholes option pricing model. The warrants are considered a derivative financial instrument and consequently are classified as held-for-trading and are measured at fair value. Resulting gains or losses are included in operations.

(e) Mineral properties

All costs related to the acquisition of, exploration for and development of resource properties, net of recoveries, are capitalized on a property-by-property basis. If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and will be amortized using the unit-of-production method. When a property is abandoned, all related costs are written-off to operations. If after management review it is determined that the carrying amount of a resource property is impaired, that property is written down to its estimated fair value. A resource property interest is reviewed annually for impairment or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

From time to time the Company may acquire or dispose of a resource property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is recorded in operations.

(f) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is recorded using the straight-line method over five years. Leasehold improvements are amortized on a straight-line basis over the term of the lease of six years.

(g) Asset retirement obligations

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material AROs to record in these financial statements.

(h) Flow-through shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. The effect of such renouncement is to reduce future income tax deductions, which is considered to be a share issue cost that is recorded as a reduction to share capital and a corresponding increase in future income tax liability.

2. Significant Accounting Policies (continued)

(h) Flow-through shares (continued)

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of income taxes in the statements of operations.

(i) Stock-based compensation

The Company accounts for stock-based compensation using a fair value-based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and charged to operations, with the offset credit to option compensation, over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of option compensation are transferred to share capital. The Company does not incorporate an estimated forfeiture rate for options that will not vest, but rather accounts for actual forfeitures as they occur.

(j) Income taxes

The Company follows the asset and liability method for accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(k) Loss per share

Loss per share is calculated based on the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(l) Field supplies

Field supplies consists of fuel and other supplies, which were stored in a facility in the hamlet of Clyde River and Resolute Bay, Nunavut, and stated at the lower of cost and net realizable value.

(m) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

2. Significant Accounting Policies (continued)

(m) Financial instruments (continued)

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(n) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(o) Adoption of new accounting policy

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets". This 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. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this section had no impact on the Company's financial statements.

(p) Future accounting changes

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim consolidated financial statements for the three months ended March 31, 2011, which must include the interim results for the prior period ended March 31, 2010 prepared on the same basis. IFRS uses a conceptual framework similar to Canadian GAAP, but there are some significant differences on recognition, measurement and disclosures. While the Company has begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(ii) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

2. Significant Accounting Policies (continued)

(p) Future accounting changes (continued)

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

3. Financial Instruments

(b) Fair value

The Company has classified its financial instruments as follows:

Cash and cash equivalents – as held-for-trading
Marketable securities – as available-for-sale
Accounts receivable – as loans and receivables
Due from related parties – as loans and receivables
Investment in warrants – as held-for-trading
Accounts payable and accrued liabilities – as other financial liabilities.

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair values because of the short term to maturity of these financial instruments.

The fair values of amounts due from related parties cannot be reliably measured since there is no quoted price for such instruments.

The following table summarizes fair value measurement by level at December 31, 2009 for assets and liabilities measured at fair value on a recurring basis.

	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities	$ 321,067	$ 321,067	$ -	$ -
Investment in warrants	$ 66,600	$ -	$ 66,600	$ -

As the carrying values of the Company's remaining financial instruments approximate their fair values, disclosure is not made of their level in the fair value hierarchy.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has cash and cash equivalents at December 31, 2009 in the amount of $1,425,152 in order to meet short-term business requirements. At December 31, 2009, the Company had accounts payable and accrued liabilities of $244,980. All of the Company's current liabilities are due within 30 days.

3. Financial Instruments (continued)

(c) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents and amounts due from related parties. This risk is minimized as the cash and cash equivalents have been placed with a major Canadian financial institution. The Company is exposed to credit risk on its receivables. Credit risk with respect to amounts due from related parties has been assessed as low by management as the Company has strong working relationships with the parties involved.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at a major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

		2009		2008
Cash	$	1,410,152	$	945,486
Term deposit with interest 0.2% (2008 – 2.2%), maturing on July 23, 2010		15,000		15,000
	$	1,425,152	$	960,486

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents consists of cash held in bank accounts and a guaranteed investment certificate that earns interest at 0.2%. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2009.

Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. Given the balance of the term deposit at year-end, any fluctuations in the interest rate would lead to an immaterial change in net income (loss) and comprehensive income (loss).

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

3. Financial Instruments (continued)

(d) Market risk (continued)

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to their marketable securities. Given the limited change in the fair market value of marketable securities in the past year, estimated fluctuations in the market value would lead to an immaterial change in net income (loss) and comprehensive income (loss).

There were no changes in the Company's approach to risk during the year ended December 31, 2009.

4. Marketable Securities

	2009			2008		
	Number of Shares	**Cost**	**Market Value**	**Number of Shares**	**Cost**	**Market Value**
Fjordland (FEX.V)	1,517,647	$ 211,353	$ 159,353	517,647	$ 101,353	$ 18,118
Diamonds North (DDN.V)	258,000	141,280	74,820	258,000	141,280	77,400
Uranium North (UNR)	333	333	30	333	333	30
Alto Ventures (ATV.V)	1,875,000	281,250	75,000	1,875,000	281,250	65,625
Bayswater (BAY.V)	400	204	40	29,400	15,000	2,205
GBL Gold Corp (GBGD.OB)	75,000	72,439	11,823	75,000	72,439	9,135
Pamlico Resources Ltd. (PGP)	100,000	-	-	100,000	-	-
Total		**$ 706,859**	**$ 321,066**		**$ 611,655**	**$ 172,513**

During the year ended December 31, 2009, the Company received an additional 1,000,000 common shares of Fjordland Exploration Inc. (“Fjordland”) through the settlement of an exploration agreement (Note 6). These common shares had a fair value of $0.11 per share on the date received and were recorded as a recovery of mineral properties on the Olympic and Rob properties.

During the year ended December 31, 2009, the Company sold 29,000 shares of Bayswater at a price of $0.11 per share for cash proceeds of $3,190. The cost of the shares was $14,796, resulting in a loss of $11,606. This loss was charged to the statements of operations.

5. Capital Management

The Company defines its capital as all components of shareholders’ equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. 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.

5. Capital Management (continued)

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

6. Investment in Warrants

On June 4, 2009, the Company and Fjordland reached a settlement in respect to a shortfall on drilling by Fjordland on the Olympic and Rob properties. Under the terms of the settlement, Fjordland issued 1,000,000 units consisting of one common share and one purchase warrant of Fjordland. Each warrant entitles the Company to purchase one common share at a price of $0.16 per share until June 3, 2011. The common shares are recorded as marketable securities and recorded at market value (Note 4). The warrants are accounted for as a derivative instrument and recorded at fair value with changes in fair value recognized in the statements of operations.

The fair value of the warrants was estimated using the Black-Scholes option pricing model on receipt and recorded at $68,200 as a recovery of mineral properties. During the year ended December 31, 2009, the unrealized loss on the 1,000,000 warrants was $1,600, which has been recognized in the statements of operations.

7. Mineral Properties

At December 31, 2009 and 2008, mineral properties are comprised of properties located in Canada. Expenditures incurred on mineral properties are as follows:

	Baffin, Nunavut		Other Properties	Total
	Qimmiq	Bravo Lake		
Balance at December 31, 2008	$ 9,924,937	$ 2,443,415	$ 9,838,597	**$ 22,206,949**
Additions during the year:				
Acquisition costs	-	625,000	-	**625,000**
Exploration costs:				
Drilling	16,561	-	27,425	**43,986**
Geochemistry	24,631	-	124	**24,755**
Geology	505,849	29,409	98,059	**633,317**
Geophysics	87,389	-	700	**88,089**
Mobilization/demobilization	55,926	3,870	-	**59,796**
Environment	-	-	1,083	**1,083**
Property	76,252	429	25,686	**102,367**
Prospecting	1,846	-	-	**1,846**
Trenching/line cutting	30,699	-	-	**30,699**
Other	12,720	1,680	150	**14,550**
	811,873	35,388	153,227	**1,000,488**
Less:				
Recoveries	(992,440)	(575,000)	(193,850)	**(1,761,290)**
Write down	-	-	(13,762)	**(13,762)**
	(992,440)	(575,000)	(207,612)	**(1,775,052)**
Net additions	(180,567)	85,388	(54,385)	**(149,564)**
Balance at December 31, 2009	**$ 9,744,370**	**$ 2,528,803**	**$ 9,784,212**	**$ 22,057,385**

7. Mineral Properties (continued)

	Baffin, Nunavut		Other Properties	Total
	Qimmiq	Bravo Lake		
Balance at December 31, 2007	$ 9,191,249	$ 2,116,233	$ 8,536,534	**$ 19,844,016**
Additions during the year:				
Acquisition costs	-	125,000	115,619	**240,619**
Exploration costs:				
Drilling	143,143	65,134	765,478	**973,755**
Geochemistry	7,871	-	1,455	**9,326**
Geology	514,462	92,533	287,378	**894,373**
Geophysics	60	101,654	505,598	**607,312**
Mobilization/demobilization	-	-	13,404	**13,404**
Property	80,151	539	149,523	**230,213**
Prospecting	7,407	-	-	**7,407**
Trenching/line cutting	-	-	10,446	**10,446**
Other	972	(3,584)	39,615	**37,003**
	754,066	256,276	1,772,897	**2,783,239**
Less:				
Recoveries	(20,378)	(54,094)	(312,244)	**(386,716)**
Write down	-	-	(274,209)	**(274,209)**
	(20,378)	(54,094)	(586,453)	**(660,925)**
Net additions	733,688	327,182	1,302,063	**2,362,933**
Balance at December 31, 2008	**$ 9,924,937**	**$ 2,443,415**	**$ 9,838,597**	**$ 22,206,949**

7. Mineral Properties (continued)

(a) Baffin Island Properties, Nunavut

The Baffin Island Properties consists of two separate properties named Qimmiq and Bravo Lake. The Company owns 100% of the Qimmiq property, subject to an underlying agreement with Nunavut Tunngavik Incorporated ("NTI") and certain future consideration to BHP Billiton ("BHP Billiton"). The Company owns 100% of the Bravo Lake property subject to certain future considerations to Xstrata Nickel ("Xstrata"), a business unit of Xstrata Canada Corporation, as further described under the property headings below. The Company earned a 100% interest in the Bravo Lake property by exercising its right under a Purchase Letter between the parties dated May 1, 2008.

An Agreement dated May 6, 2008 between the Company and Global Resources Corporation Pty Ltd. ("GRC"), pertaining to the Baffin Island Properties, was terminated on April 21, 2009.

On September 3, 2009, as amended on November 19, 2009, the Company entered into a Farm-in and Joint Venture Agreement ("Agreement") with AngloGold Ashanti Limited's subsidiary, AngloGold Ashanti Holdings Plc ("AngloGold"), related to both the Qimmiq and Bravo properties (collectively, "Baffin Properties"). Pursuant to the Agreement, AngloGold may earn a 51% participating interest in the Baffin Properties by funding $20 million by December 31, 2014, with an additional requirement to fund $5.5 million of the $20 million in exploration expenditures before December 31, 2010. The initial commitment includes completion of a minimum of 3,000 metres of diamond drilling. Additional terms of the Agreement are as follows:

- The Company will manage the exploration for the initial two-year committed program period. AngloGold will pay a 10% management fee to the Company on all exploration expenditures incurred on the project during that period which are treated as part of the exploration expenditures to be funded by AngloGold. Accordingly, these amounts have been presented as a recovery related to the relevant property;

- AngloGold may at its option, advance a cash payment of $575,000 to the Company so that the Company may exercise its right to purchase the remaining interest in the Bravo property to 100%, which is treated as part of the exploration expenditures to be funded by AngloGold. Accordingly, these amounts have been presented as a recovery related to the relevant property; and

- Once AngloGold has vested a 51% interest in the Baffin Properties, a 51:49 joint venture will be formed between AngloGold and the Company. AngloGold may then elect within 60 days of vesting to increase its interest in the property to 70% by funding all on-going expenditures to complete a feasibility study within four years on at least one of the prospects on the Baffin Properties.

As part of the Agreement, on November 19, 2009, Ashanti Goldfields Services Limited, a wholly owned subsidiary of AngloGold, subscribed for and was issued a total of 10,000,000 units of the Company for gross proceeds of $1.2 million. Each unit consists of one common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at a price of $0.24 until November 17, 2011. Under the Agreement, AngloGold is required to hold at least a 10% equity stake in the Company and has the right, subject to TSX Venture Exchange approval, to participate in future private placements in order to meet its equity commitment in the Company under this Agreement.

For the period to December 31, 2009, total recoveries on the Qimmiq project from AngloGold amounted to $981,447, including the management fees of $149,437. In addition, the Company received $575,000 from AngloGold with respect to the Bravo Lake interest buy-out.

7. Mineral Properties (continued)

(a) Baffin Island Properties, Nunavut (continued)

(i) Qimmiq

On February 22, 2008, the Company and BHP Billiton signed an Option Acceleration Agreement ("Revised Agreement"), providing the Company the option to accelerate its rights to earn a 100% interest in the Qimmiq Property by paying the lump sum of $400,000 in cash to BHP Billiton on or before September 30, 2008. The deadline for this cash payment was subsequently extended to April 30, 2009 through a series of amending letters with the final letter dated February 25, 2009. On April 30, 2009, the Company exercised its right to accelerate its interest to 100% in the Property after BHP Billiton agreed to waive the $400,000 cash payment required under the Option Acceleration Agreement. The Revised Agreement is now the only agreement between the Company and BHP Billiton pertaining to the Qimmiq Property.

Under the Revised Agreement, BHP Billiton retains the Right of First Refusal ("ROFR") to purchase all or any portion of the concentrates or other such mineral products produced only from non-gold resources on the Property. For the first four years of commercial production, BHP Billiton's ROFR would apply to 50% of the non-gold concentrates; the other 50% of the non-gold concentrates available for the Company to support or facilitate mine financing terms and other project capitalization and BHP Billiton shall retain a ROFR to match such financing terms. The Company will retain 100% control over the sale and marketing of all gold concentrates or gold products produced from the Qimmiq Property. The Revised Agreement is subject to a variable net smelter return ("NSR") gold royalty ranging from 1% to 3% based on gold prices (royalties are now held by International Royalty Corporation) and the terms and conditions of the underlying NTI agreements, which include a 12% royalty to NTI on net profits payable on production.

(ii) Bravo Lake

The Company currently owns 100% of the Bravo Lake property. Previously, the Company had been operating the Bravo Lake property since 2003 under a Letter Agreement with Xstrata. Under this agreement, the Company had the right to earn a 100% interest in the property by incurring $8 million of exploration expenditures on the property by 2011. Xstrata held certain back-in rights to nickel, base metal or diamond deposits. There were no back-in rights to gold deposits. The property is subject to certain royalties payable to Xstrata including a sliding scale NSR from 1% to 3% on gold production, a 2% NSR on nickel production, a 1.5% NSR on (non-nickel) base metal production and a 2% gross overriding royalty on diamond production. The property was expanded by staking in September 2009 with the addition of 42 mineral claims totalling 34,964 hectares.

On May 1, 2008, the Company entered into a Purchase Letter with Xstrata providing the Company the option to accelerate its ownership in the Bravo Lake property to 100% for total cash payments to Xstrata of $750,000 by December 31, 2008. In an amending letter dated November 13, 2008, the deadline for the unpaid balance of $575,000 was extended to June 30, 2009 and further extended to December 31, 2009.

On December 7, 2009, the Company completed the purchase from Xstrata of a 100% interest in the Bravo Property thereby eliminating all remaining earn-in expenditures and extinguishing Xstrata's back-in rights. Xstrata retains a ROFR to purchase all or any portion of the concentrates or other such mineral products produced from any non-gold resource on the property. For the first four years of commercial production, Xstrata's right would apply to 50% of the concentrates; the other 50% of the concentrates available for the Company to support or facilitate mine financing terms and other project capitalization and Xstrata shall retain a ROFR to match such financing terms. Xstrata also retains the royalties provided under the original Letter Agreement but under the Purchase Letter, 50% of the royalties may be purchased by the Company for $1 million at any time up to commencement of commercial production.

7. Mineral Properties (continued)

(b) Other properties

The Company owns several other properties in Canada in which it holds interests ranging from 10% to 100%. The Company has granted options on some of these properties. The carrying values of those properties included under Other Properties at December 31, 2009 and 2008 are as follows:

	Ownership %		December 31, 2009		December 31, 2008
Labrador Properties					
Adlatok l	*72.696*	$	736,151	$	745,387
Sadie	*100.00*		127,856		127,856
Sally	*100.00*		391,986		391,232
Sango River	*100.00*		8,345		8,345
Sarah Lake (i)	*48.20*		1,752,449		1,727,835
Nunavut					
Storm (ii)	*100.00*		120,476		88,745
Dewar Lake	-		516		-
Newfoundland					
Hermitage (iv)	*100.00*		2,730,550		2,716,668
Strickland (vii)	*100.00*		922,497		921,880
Cochrane Pond (vii)	*50.00*		48,950		48,723
Green Bay (viii)	*100.00*		535,681		492,882
Others	*100.00*		133,347		133,571
Yukon					
Olympic, Rob (v)	*100.00*		853,507		1,010,143
British Columbia					
Abe and Pal (vi)	*100.00*		110,593		109,633
Aten, Mate and Tut (vi)	*100.00*		1,250		1,210
Haw	*100.00*		-		13,034
Tam (vii)	*10.00*		44,524		49,524
New Brunswick					
Nepisiguit/Stewart (ix)	*100.00*		1,129,311		1,121,669
Ontario					
Matheson	*41.36*		14,213		14,213
Sabin	*100 - 58.50*		122,010		116,047
Total Other Properties		**$**	**9,784,212**	**$**	**9,838,597**

7. Mineral Properties (continued)

(b) Other properties (continued)

(i) Sarah Lake, Labrador

The Company owns a 48.2% interest in the Sarah Lake property. Donner Metals Ltd. ("Donner Metals") owns 51.8% and is the operator of the property.

(ii) Storm Property, Nunavut

The Company acquired three prospecting permits on February 1, 2008 for a $15,000 cash deposit. The permits are good for a five-year term and the $15,000 deposit is refundable on completion of an equivalent amount of exploration work in the first two years.

(iii) Despinassy, Quebec

The Company sold 100% of its interest in the project to Alto Ventures in March 2008 for $375,000 cash and 1,875,000 common shares of Alto Ventures. The Company also retains a 1% NSR royalty on 83 claims and 0.25% on the other 30 claims. Alto Ventures retains the right to buy-down the NSR on the 83 claims to 0.50% for $500,000.

(iv) Hermitage Project, Newfoundland

(a) Hermitage

The Company owns 100% of the Blue Hills and White Bear properties subject to a 2% NSR for the original property owners. One-half of the NSR may be purchased for $1 million.

On the adjacent Couteau Lake Property, the option agreement allowing the Company to earn a 100% interest has been extended by amending agreements such that the expiry date of the option is changed to April 2, 2010. The agreement is subject to a 2% NSR for the vendor with a buy-back of one-half of the NSR for $1 million.

(b) Strickland

The Strickland Property consists of 147 claims southwest of the Hermitage Property.

The Quinlan Option agreement, originally executed on August 16, 2006 to cover a small claim block surrounded by the Strickland Property, was terminated by the Company on June 24, 2009.

(c) Hermitage East and West

The Company currently owns 100% of the properties.

7. Mineral Properties (continued)

(b) Other properties (continued)

(iv) Hermitage Project, Newfoundland (continued)

(d) Cochrane Pond

The Property is owned 50% by the Company and 50% by Bayswater Uranium Corporation under a Joint Venture Agreement dated June 19, 2006 (“CPJV”).

On November 13, 2008, CPJV entered into a Royalty Agreement (“Agreement”) with Global Gold Uranium LLC ("Global Gold Uranium"), a wholly owned subsidiary of Global Gold Corporation ("Global Gold") following termination of a previous option agreement between the parties. Under the Agreement, CPJV provided Global Gold Uranium a 1% royalty on sales of uranium products extracted from the property in consideration for a cash payment of US$50,000 to CPJV. The royalty is capped such that it will be reduced to 0.50% after the total royalty payments from production to Global Gold Uranium reach $1 million.

(v) Olympic & Rob, Yukon

The Company owns 100% of the Olympic and Rob properties subject to a 1% NSR registered to Blackstone Ventures Inc. on the Rob property. The NSR may be reduced to 0.50% at any time for $1 million.

An option agreement dated May 1, 2008 between the Company and GRC, a privately held Australian company that provided GRC the option to earn an initial 50% interest in the property, was terminated by the parties October 31, 2008 because GRC was unable to complete a planned Initial Public Offering as required under the agreement.

For the period to December 31, 2009, total recoveries on the Olympic and Rob properties amounted to $178,200.

(vi) Abe, Pal, Aten, Mate and Tut, British Columbia

The Company owns a 100% interest in the properties located within the Quesnel Trough of British Columbia. The vendor of the property retains a 1% NSR in the Abe and Pal properties and will participate in certain cash or share considerations received from the future sale or option of the properties to a third party.

(vii) Tam/Misty, British Columbia

The Company owns a 10% carried interest in the property. The Company will receive 50% of any royalties granted to the underlying owner under any subsequent third party agreement on the property.

Under an agreement dated February 13, 2006 between the underlying owners and Teck Cominco Limited (“Teck Cominco”), the Company received a cash payment of $2,500. In addition, the Company is entitled to a 1.5% NSR of which $250,000 is payable as an advance royalty starting on December 31, 2012. This royalty is subject to a buy-down provision that, if exercised, would pay $1 million to the Company.

(viii) Green Bay, Newfoundland

The Company holds a 100% interest in the Green Bay property, which includes the Orion gold deposit.

(ix) Nepisiguit/Stewart, New Brunswick

The Company owns 100% of the property subject to a 2.75% NSR retained by BHP Billiton. The NSR is subject to a buy-down to 1% NSR for $1.5 million at any time.

7. Mineral Properties (continued)

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the properties may be diminished or negated.

Title to resource properties

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 or transfers and title may be affected by undetected defects.

Realization of assets

The resource properties comprise substantially all of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

8. Property and Equipment

		Cost		Accumulated Amortization		**2009** Net Book Value
Furniture and fixtures	$	57,240	$	57,240	$	-
Computer equipment		169,951		161,754		8,197
Leasehold improvements		28,293		25,935		2,358
	$	**255,484**	$	**244,929**	$	**10,555**

		Cost		Accumulated Amortization		**2008** Net Book Value
Furniture and fixtures	$	57,240	$	56,919	$	321
Computer equipment		169,200		154,323		14,877
Leasehold improvements		28,293		21,219		7,074
	$	**254,733**	$	**232,461**	$	**22,272**

9. Share Capital

(a) Authorized

Unlimited common shares without par value

(b) Shares issued

During the year ended December 31, 2009, the Company issued 10,000,000 units at a price of $0.12 per unit, for gross proceeds of $1,200,000. Each unit consisted of one common share and one-half of one purchase warrant, each warrant entitling the holder to purchase one common share at a price of $0.24 until November 17, 2011. Share issuance costs of $6,850 were incurred by the Company, resulting in net proceeds of $1,193,150.

During the year ended December 31, 2009, the Company issued 635,000 common shares on the exercise of options by officers, consultants and employees at a price of $0.10 per share. Total proceeds received upon exercise were $63,500.

(c) Stock options

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. Under the Company's Stock Option Plan, the Company may grant stock options for the purchase of up to 15,900,000 common shares. Vesting of stock options is made at the discretion of the board of directors at the time the options are granted. At December 31, 2009, the Company had stock options outstanding for the purchase of 6,864,000 common shares with an average remaining contractual life of three years, which are all exercisable at December 31, 2009.

A summary of the Company's outstanding stock options as at December 31, 2009 and 2008 and changes during the respective years are as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2007	**5,627,169**	**$0.42**
Granted	2,020,000	$0.15
Expired	(885,169)	$0.29
Outstanding at December 31, 2008	**6,762,000**	**$0.36**
Granted	2,406,000	$0.10
Exercised	(635,000)	$0.10
Expired	(1,669,000)	$0.53
Outstanding at December 31, 2009	**6,864,000**	**$0.25**

9. Share Capital (continued)

(c) Stock options (continued)

The following summarizes information about stock options outstanding at December 31, 2009:

Number of Shares	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price
363,000	$0.25	July 19, 2010		
282,000	$0.39	May 7, 2011		
646,500	$0.30	June 19, 2011		
400,000	$0.87	January 2, 2012		
200,000	$0.41	May 8, 2012		
1,196,500	$0.36	June 7, 2012		
80,000	$0.19	December 21, 2012		
770,000	$0.18	February 7, 2013		
200,000	$0.21	June 24, 2013		
395,000	$0.10	October 17, 2013		
700,000	$0.10	February 20, 2014		
1,631,000	$0.10	May 12, 2014		
6,864,000			**3.00**	**$0.25**

There were 6,864,000 options exercisable at December 31, 2009 with a weighted average exercise price of $0.25 and a weighted average remaining contractual life in years of 3.

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following weighted average assumptions and resulting fair value:

	2009	2008
Risk-free interest rate	1.87%	3.15%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	107.71%	88.41%
Expected option life in years	5	5
Grant date fair value	$0.061	$0.078

9. Share Capital (continued)

(d) Warrants and agent's warrants

The following warrants are outstanding at December 31, 2009 and 2008:

Exercise Price	Expiry Date	Outstanding December 31, 2008	Issued	Exercised	Expired	Outstanding December 31, 2009
$0.40	July 10, 2009	80,250	-	-	80,250	-
$0.40	July 22, 2009	545,678	-	-	545,678	-
$0.24	November 17, 2011	-	5,000,000	-	-	5,000,000
		625,928	**5,000,000**	**-**	**625,928**	**5,000,000**

The weighted average exercise price of the warrants outstanding at December 31, 2009 is $0.24 (2008 - $0.40).

10. Related Party Transactions

In addition to the related party transactions disclosed elsewhere in these financial statements, the Company has the following related party transactions and balances:

(a) The Company shares certain administrative and other costs with four other companies related by virtue of directors in common. Included in due from related parties as at December 31, 2009 is an aggregate of $1,676 (2008 - $11,819) owed by those companies. The amounts due are without interest or stated terms of repayment. Included in due from related parties as at December 31, 2009 is $487 (2008 – $Nil) for expenses owed by a company controlled by an officer. The Company's proportionate share of minimum annual basic rental payments under this arrangement is approximately $66,000.

(b) During the year ended December 31, 2009, the Company incurred $8,713 (2008 - $12,857) in legal fees, share issuance costs and mineral properties costs to a law firm in which a director of the Company is a partner. Of this amount, $219 (2008 - $Nil) is included in accounts payable and accrued liabilities. During the year ended December 31, 2009, the Company incurred $80,100 (2008 - $96,240) in consulting fees to two companies controlled by two officers of the Company. Of this amount, $669 (2008 - $Nil) is included in accounts payable and accrued liabilities.

(c) Included in marketable securities as at December 31, 2009 are 258,000 (2008 - 258,000) common shares of Diamonds North Resources Ltd., a company related by virtue of a director in common.

(d) Accounts payable includes $2,946 due to companies related by common directors and $888 due to two companies controlled by two officers.

Related party transactions are recorded at the exchange amount being the amount agreed upon by both parties and have no interest or stated terms of repayment.

11. Segmented Information

The Company has one operating segment, mineral property exploration, and all assets of the Company are located in Canada.

12. Supplemental Cash Flow Information

		2009		2008
Significant non-cash, investing and financing activities:				
Investing activities:				
Marketable securities received for mineral property	$	110,000	$	281,250
Warrants received for mineral property		68,200		-
Shares issued for mineral property		-		43,350
Mineral property included in accounts payable		-		15,967
	$	**178,200**	**$**	**340,567**
Financing activity:				
Shares issued for mineral property	**$**	-		**(43,350)**

13. Income Taxes

As at December 31, 2009, the Company has non-capital losses of $5,168,110, which may be applied against future income for Canadian income tax purposes. The potential income tax benefits of these losses have been recognized in these financial statements against future income tax liabilities. The losses expire as follows:

2014	$	891,400
2015		705,800
2026		921,400
2027		1,001,550
2028		873,520
2029		774,440
	$	5,168,110

The reconciliation of income tax provision computed at Canadian statutory rates (2009 – 30.00%, 2008 – 32.50%) to the reported income tax provision is as follows:

		2009		2008
Income tax benefit computed at Canadian statutory rates	$	(245,754)	$	(179,389)
Permanent differences				
Stock-based compensation		50,946		49,078
Loss (gain) on marketable securities		3,482		(35,189)
Recovery of mineral property costs		-		(182,409)
Temporary differences				
Write-down of mineral properties		4,129		89,118
Share issue costs		(49,687)		(61,506)
Other temporary differences		4,551		7,153
Change in timing differences for the year		34,016		262,165
Change in valuation allowance		(265,000)		-
Effect on change in tax rate		(128,459)		(441,097)
	$	(591,776)	$	(492,076)

13. Income Taxes (continued)

Future income tax assets and liabilities are recognized for temporary differences between the carrying amounts of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates are as follows:

		2009		2008
Future income tax liabilities				
Temporary differences on mineral properties	$	(2,924,665)	$	(2,527,252)
Total future tax liabilities		(2,924,665)		(2,527,252)
Future income tax assets				
Non-capital loss carry-forwards		1,292,021		1,142,347
Share issue costs		57,661		101,248
Temporary differences on marketable securities		40,689		47,730
Difference between undepreciated capital cost over net book value of property and equipment		61,349		60,562
Total future tax assets		1,451,720		1,351,887
Valuation allowance		-		(265,000)
Future income tax liability	$	(1,472,945)	$	(1,440,365)

The Company's future income tax liability arises primarily from the renunciation of mineral exploration costs on flow-through shares issued to investors. Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. A future income tax liability arises from the renunciation of mineral exploration costs to investors of flow-through shares.

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances, which have not been spent as at December 31, 2009 and which are allotted for such expenditures. During December 31, 2009, the Company renounced $1,992,222 in flow-through expenditures (2008 - $1,262,500). As at December 31, 2009, the amount of flow-through proceeds remaining to be expended was $Nil (2008 - $43,134).

14. Subsequent Events

(a) On January 5, 2010, 192,000 stock options at a weighted average exercise price of $0.11 per share were exercised for gross proceeds of $20,900.

(b) On January 19, 2010, the Company granted 200,000 stock options to a consultant. The options are exercisable for five years at a price of $0.39 per share.

(c) On January 27, 2010, the Company granted 1,873,500 stock options to directors, officers, employees and consultants of the Company. The options are exercisable for five years at a price of $0.35 per share.

(d) On March 17, 2010, 190,000 stock options at a weighted average exercise price of $0.12 per share were exercised for gross proceeds of $23,500.

(e) On March 9 2010, the Company signed a Letter of Intent ("LOI") with BMB Capital Corp. ("BMB"), a capital pool company, whereby BMB may acquire an initial 50% interest ("Initial Interest") in the Company's Green Bay mineral property, host to the Orion gold deposit (the "Property") in Newfoundland, Canada. The LOI also provides BMB the further option of increasing its ownership in the Property to 100%. The acquisition is subject to TSX Venture Exchange acceptance.

As conditions for the acquisition of the Initial Interest in the Property, BMB will issue to the Company 12,000,000 common shares of BMB and will raise $1 million through completion of a private placement financing to be used by BMB for conducting mineral exploration activities on the Property. In addition, BMB will be responsible for funding all exploration expenditures on the Property and must spend a minimum of $1 million within the 18-month period following final approval.

BMB will have the right to acquire the remaining 50% interest in the Property by issuing a further 5,000,000 common shares of BMB to the Company pursuant to the timelines described in the LOI.

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LISTINGS

TSX Venture Exchange: CMD
U.S. 12g Exemption: #82-2996

CAPITALIZATION

(as at December 31, 2009)

Shares Authorized: Unlimited
Shares Issued: 90,207,516

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