

PACIFIC COMOX RESOURCES LTD.
(A Development Stage Enterprise)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars, unless otherwise stated)

OCTOBER 31, 2009 AND 2008

PACIFIC COMOX RESOURCES LTD.
(A Development Stage Enterprise)
CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2009 AND 2008

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AUDITORS' REPORT

To the Shareholders of
Pacific Comox Resources Ltd.
(A Development Stage Enterprise):

We have audited the consolidated balance sheets of Pacific Comox Resources Ltd. (the "Company", A Development Stage Enterprise) as at October 31, 2009 and 2008 and the consolidated statements of (loss) income, comprehensive (loss) income and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Toronto, February 23, 2010

(Signed) "*Edmund Cachia & Co. LLP*"
CHARTERED ACCOUNTANTS
Licensed Public Accountants

PACIFIC COMOX RESOURCES LTD.
(A Development Stage Enterprise)

CONSOLIDATED BALANCE SHEETS

AS AT OCTOBER 31

ASSETS

| | 2009 | 2008 |
|------------------------------------|---------------------|---------------------|
| CURRENT | | |
| Cash and cash equivalents | \$ 299,847 | \$ 1,007,322 |
| Accounts receivable | 14,933 | 2,716 |
| Advances and prepaid expenses | <u>13,083</u> | <u>56,000</u> |
| | 327,863 | 1,066,038 |
| ADVANCES TO RELATED PARTY (note 3) | 364,117 | 330,685 |
| MINERAL PROPERTIES (note 5) | 7,179,293 | 6,542,296 |
| CAPITAL ASSETS (note 4) | <u>682</u> | <u>975</u> |
| | <u>\$ 7,871,955</u> | <u>\$ 7,939,994</u> |

LIABILITIES

| | | |
|---|---------------|------------|
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 235,747 | \$ 226,105 |
| Due to a shareholder and officer (note 3) | <u>92,816</u> | <u>184</u> |
| | 328,563 | 226,289 |

SHAREHOLDERS' EQUITY

| | | |
|---|----------------------|----------------------|
| SHARE CAPITAL (note 8) | 19,822,439 | 19,813,439 |
| CONTRIBUTED SURPLUS (note 9) | 935,755 | 935,755 |
| DEFICIT | <u>(13,214,802)</u> | <u>(13,035,489)</u> |
| | <u>7,543,392</u> | <u>7,713,705</u> |
| NATURE OF OPERATIONS AND GOING CONCERN (note 1) | | |
| COMMITMENTS (note 5) | | |
| | <u>\$ 7,871,955</u> | <u>\$ 7,939,994</u> |

Approved by the Board:

(Signed) "Marvin Wolff", Director

(Signed) "Donald Empey", Director

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

PACIFIC COMOX RESOURCES LTD.
(A Development Stage Enterprise)

CONSOLIDATED STATEMENTS OF (LOSS) INCOME, COMPREHENSIVE (LOSS) INCOME
AND DEFICIT

FOR THE YEARS ENDED OCTOBER 31

| | 2009 | 2008 |
|---|------------------------|------------------------|
| EXPENSES | | |
| Bank charges and interest | \$ 1,592 | \$ 2,579 |
| Consulting fees | 54,000 | 79,200 |
| Depreciation of fixed assets | 293 | 418 |
| Foreign exchange loss | 12,750 | 11,168 |
| Legal and audit | 29,740 | 40,029 |
| Office, general and investor relations | 43,410 | 128,080 |
| Rent | 9,932 | 9,860 |
| Stock-based compensation cost | - | 88,000 |
| Transfer agent's and regulatory fees | 24,626 | 44,831 |
| Write-down of mineral properties (note 5 (v)) | <u>10,000</u> | <u>48,231</u> |
| | 186,343 | 452,396 |
| Other | | |
| Interest income | <u>7,030</u> | <u>22,859</u> |
| Loss before income taxes | (179,313) | (429,537) |
| Future income tax recovery (note 6) | <u>-</u> | <u>(841,863)</u> |
| NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME FOR THE YEAR | (179,313) | 412,326 |
| DEFICIT AT BEGINNING OF THE YEAR | <u>(13,035,489)</u> | <u>(13,447,815)</u> |
| DEFICIT AT END OF THE YEAR | <u>(\$ 13,214,802)</u> | <u>(\$ 13,035,489)</u> |
| Basic and diluted loss per share (note 2) | <u>(\$ 0.00)</u> | <u>\$ 0.00</u> |
| Weighted average common shares outstanding | <u>172,199,833</u> | <u>169,660,294</u> |

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

PACIFIC COMOX RESOURCES LTD.
(A Development Stage Enterprise)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED OCTOBER 31

| | 2009 | 2008 |
|--|-------------------|---------------------|
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| Net income (loss) for the year | (\$ 179,313) | \$ 412,326 |
| Add (deduct) items not affecting cash: | | |
| Amortization | 293 | 418 |
| Stock-based compensation | - | 88,000 |
| Future income tax recovery | - | (841,863) |
| Write-down of mineral properties | 10,000 | 48,231 |
| Net changes in working capital balances: | | |
| Decrease (increase) in accounts receivable | (12,217) | 60,967 |
| Decrease in advances and prepaid expenses | 42,917 | 130,972 |
| Increase (decrease) in accounts payable and accrued liabilities | <u>9,642</u> | <u>(132,340)</u> |
| Cash used in operations | <u>(128,678)</u> | <u>(233,289)</u> |
| CASH USED IN INVESTING ACTIVITIES: | | |
| Deferred exploration and acquisition expenditures | (637,997) | (2,036,549) |
| Advances to related party | <u>(33,432)</u> | <u>(39,840)</u> |
| Cash used in investing | <u>(671,429)</u> | <u>(2,076,389)</u> |
| CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES: | | |
| Common shares issued in private placement, net of issue costs | - | 2,551,101 |
| Common shares issued on exercise of warrants | - | 7,500 |
| Due to a shareholder and officer | <u>92,632</u> | <u>(919)</u> |
| Cash provided by financing | <u>92,632</u> | <u>2,557,682</u> |
| INCREASE (DECREASE) IN CASH POSITION | (707,475) | 248,004 |
| CASH POSITION AT BEGINNING OF THE YEAR | <u>1,007,322</u> | <u>759,318</u> |
| CASH POSITION AT END OF THE YEAR | <u>\$ 299,847</u> | <u>\$ 1,007,322</u> |
| Supplementary cash flow information: | | |
| Interest received during the year | \$ 6,978 | \$ 22,859 |
| Interest paid during the year | \$ - | \$ - |
| Non-cash transactions: | | |
| Common shares issued for mineral claims | \$ 9,000 | \$ 17,500 |
| Fair value of warrants exercised reallocated from contributed surplus to share capital | \$ - | \$ 597 |
| Fair value ascribed to warrants in private placement | \$ - | \$ 317,000 |
| Tax effect of flow-through shares | \$ - | \$ 841,863 |

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

PACIFIC COMOX RESOURCES LTD.
(A Development Stage Enterprise)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2009 AND 2008

1 - NATURE OF OPERATIONS AND GOING CONCERN:

Pacific Comox Resources Ltd. (the "Company") was incorporated to seek mineral exploration and development opportunities. To date, the Company has not earned significant revenue from any of its activities and is considered to be in the development stage. The ability of the Company to pursue future exploration and development is dependant on its ability to raise equity or other sources of financing.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the 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 government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

While the consolidated financial statements have been prepared on a "going concern" basis, there are adverse conditions which cast doubt upon the validity of this assumption. For the year ended October 31, 2009, the Company incurred a loss before income tax recovery of \$179,313 (2008- \$429,537) and as at October 31, 2009, had an accumulated deficit of \$13,214,802 (2008- \$13,035,489). The Company has no income or cash flow from operations and, at October 31, 2009, had a working capital deficiency of \$700 (2008- working capital surplus of \$839,749). The Company must secure sufficient funding to maintain legal title to its resources properties, to fund its exploration and development activities and to fund its general and administrative costs.

In addition to the funds raised subsequent to the year end (see note 12), management intends on securing additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient and there remains some uncertainty as to the ability of the Company to continue as a going concern.

2 - SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company's wholly owned subsidiary in Mexico, Pacific Comox S.A. de C.V. All significant inter-company balances and transactions have been eliminated.

PACIFIC COMOX RESOURCES LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2009 AND 2008

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

MINERAL PROPERTIES

Mineral properties represent the cost of acquired mineral claims and deferred exploration and development activity. Expenditures are capitalized on an area-of-interest basis and include direct costs of obtaining, maintaining and exploring properties, the costs of structures and equipment which are employed directly in the exploration process and other direct costs related to specific properties. All other costs, including administrative overhead, are expensed as incurred.

Management periodically reviews the carrying value of its investments in mineral leases and properties. A decision to abandon, reduce or expand a specific project is based upon a number of factors, including general and specific assessments of mineral reserves, anticipated future mineral prices, the anticipated future cost of exploring, developing and operating a producing mine, the expiration term and ongoing expense of maintaining leased mineral properties and the general likelihood that the Company will continue exploration.

If the area of interest is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the year of abandonment or decline in value.

CAPITAL ASSETS

Computer equipment is amortized using the declining balance method at the rate of 30% per annum.

INCOME TAXES

Future income tax assets and liabilities are determined based on differences between the financial statements carrying values and their respective income tax basis generally using the enacted income tax rates at each balance sheet date. Future income tax assets also arise from unused loss carry forwards and other deductions. The amount of the future income tax asset recognized is limited to the amount that is more likely than not to be realized. The estimated amount is reviewed annually and adjusted, if necessary, by use of a valuation allowance.

STOCK-BASED COMPENSATION PLAN

The Company has a stock-based compensation plan, which is described in note 8. The Company accounts for stock-based compensation at fair-value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense or share capital as awards vest, with the offsetting amounts recognized as contributed surplus. If and when the stock options are exercised the applicable amounts of contributed surplus are transferred to share capital.

PACIFIC COMOX RESOURCES LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2009 AND 2008

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

EARNINGS (LOSS) PER SHARE

Earnings (loss) per share have been calculated based on the weighted average number of shares outstanding during the year.

No stock options or warrants were included in the computation of diluted loss per share because exercise prices exceeded the average market price of the Company's common shares during the year.

MEASUREMENT UNCERTAINTY

The preparation of financial statements 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 revenue and expenses during the year. Examples of significant estimates made by management include rates for depreciation, the provision for future tax recoveries and composition of future income tax assets and future income tax liabilities, valuation of mineral interests (and impairment thereof), fixed assets, asset retirement obligations and assumptions used in valuing stock-based compensation and warrants. Actual results could vary from the estimates.

FLOW-THROUGH SHARES

The Company finances a portion of its exploration program with flow-through common shares issues. Income tax deductions relating to these expenditures are claimable only by the investors. Proceeds from common share issues pursuant to flow-through financings are credited to capital stock.

ASSET RETIREMENT OBLIGATION

The fair value of the liability for an asset retirement obligation is recorded when it is incurred or can be reasonably estimated, and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at October 31, 2009, the Company has not incurred or committed any asset retirement obligations related to the development of its exploration properties.

FOREIGN CURRENCY TRANSLATION

The accounts of the Company's foreign operations are considered to be integrated and are translated into Canadian dollars using the temporal method. Foreign currency transactions of the Company and its integrated subsidiary are translated into Canadian dollars at the rates prevailing on the dates of the transactions. Realized and unrealized exchange gains and losses resulting from foreign currency transactions are included in current earnings. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the end of the accounting period and any gains or losses are included in current earnings. Non-monetary assets are translated at the rates of exchange prevailing when the assets were acquired.

CASH AND CASH EQUIVALENTS

Cash balances with banks and cashable term deposits are classified as cash and cash equivalents. The Company places its cash and cash investments with institutions of high credit worthiness.

PACIFIC COMOX RESOURCES LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2009 AND 2008

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Management believes there has been no impairment of the Company's long-lived assets as at October 31, 2009.

REVENUE RECOGNITION

Interest income is recognized on an accrual basis as it is earned.

ACCOUNTING CHANGES

CAPITAL DISCLOSURES

Effective November 1, 2007, the Company adopted CICA Handbook Section 1535 Capital Disclosures, which specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the Handbook section in Note 11 to these financial statements.

FINANCIAL INSTRUMENTS - DISCLOSURES

Effective November 1, 2007, the Company adopted CICA Handbook Section 3862, Financial Instruments – Disclosures.

The provisions in Section 3862, Financial Instruments – Disclosures, increase the disclosures currently required that will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. The Company has included disclosures recommended by the handbook section in Note 7 to these financial statements.

All financial instruments are categorized into one of the following categories: held for trading, held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial categorization.

Held-to-maturity assets, loans and receivables, and financial liabilities, other than held-for-trading financial liabilities, are initially measured at fair value and subsequently measured at amortized cost.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2009 AND 2008

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

ACCOUNTING CHANGES (continued)

FINANCIAL INSTRUMENTS – DISCLOSURES (continued)

Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.

Available-for-sale financial assets are measured at fair value. Changes in fair value are included in other comprehensive income (loss) until the gain or loss is recognized in income.

Held-for-trading financial instruments will be measured at fair value. All changes in fair value are included in net earnings (loss) in the period in which they arise.

All derivative financial instruments will be measured at fair value, even when they are part of a hedging relationship. All changes in fair value are included in net earnings (loss) in the period in which they arise, except for hedge transactions, which qualify for hedge accounting treatment, in which case gains and losses will be recognized in other comprehensive income. The Company has no derivative financial instruments.

FINANCIAL INSTRUMENTS - PRESENTATION

Effective April 1, 2008, the Company adopted the CICA Handbook Section 3862, Financial Instruments – Presentation, which replaces the existing requirements on presentation of financial instruments. The Company classifies for presentation on the balance sheet its financial assets, financial liabilities and equity based upon the substance of the instrument at the date of issuance, and separately classifies the components of any instrument that contains elements of financial liability and equity while appropriately classifying costs or gains associated with issuing financial liabilities within the income statement and distributions to holders of equity instruments in the equity section of the balance sheet.

HEDGING

CICA Handbook Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company does not engage in hedging transactions and therefore does not have any financial instruments which are subject to hedge accounting.

COMPREHENSIVE INCOME

Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income, and this standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in “other comprehensive income” until it is considered appropriate to recognize into net earnings.

PACIFIC COMOX RESOURCES LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2009 AND 2008

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

ACCOUNTING CHANGES (continued)

Adoption of New Accounting Standards

(a) Goodwill and Intangible Assets

Effective November 1, 2008, the Company adopted the recommendations of the CICA Handbook Section 3064, "Goodwill and Intangible Assets", which provides guidance on the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of the new standard did not have any impact on the Company's consolidated financial statements.

(b) General Standards of Financial Statement Presentation

Effective November 1, 2008, the Company adopted the recommendations of the CICA Handbook Section 1400, "General Standards of Financial Statement Presentation", which provides guidance on the requirements to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The adoption of this new standard did not have any impact on the Company's consolidated financial statements other than disclosure in Note 1 above.

(c) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The committee reached a consensus that a company's credit risk and the credit risk of its counterparties should be considered when determining the fair value of its financial assets and financial liabilities, including derivative instruments. The transitional provisions resulting from the implementation of EIC 173 require the abstract to be applied retrospectively without restatement of prior periods. The Company adopted this EIC effective January 20, 2009. The adoption of the EIC did not have a significant impact on the Company's financial statements.

(d) Inventory

Effective November 1, 2008, the Company adopted Section 3031, "Inventory" of the CICA handbook. The adoption of this new inventory standard requires changes for accounting of inventory including the requirement to allocate overhead costs based on normal production levels and changes to the definition of net realizable value. The new inventory standard clarifies the definition of 'cost' to include all costs of purchase, costs of conversion and other costs incurred to bringing the inventories to their present location and condition. As a result, companies are required to systematically allocate fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on normal production capacity of the production facilities. In addition, the standard requires companies to assess the recoverability of inventory costs in comparison to net realizable value. Declines in replacement cost below carrying values for raw materials inventories do not require write downs if the finished goods in which they will be incorporated are expected to be sold at or above cost. The adoption of this new standard did not have an impact on the Company's financial statements.

PACIFIC COMOX RESOURCES LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2009 AND 2008

2 - SIGNIFICANT ACCOUNTING POLICIES (continued):

ACCOUNTING CHANGES (continued)

Adoption of New Accounting Standards (continued)

(e) Mining Exploration Costs

On March 27, 2009, the CICA approved EIC 174, "Mining Exploration Costs". This EIC provides guidance on capitalization of exploration costs related to exploration properties in particular and on impairment of long-lived assets in general. The application of this new accounting standard did not have a material impact on the Company's financial statements.

FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards

In January 2006, The Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, Canadian public companies will be required to adopt International Financial Reporting Standards (IFRS) for annual and interim financial statements for years beginning on or after January 1, 2011. The Company will adopt IFRS effective November 1, 2011 and will be required to restate, for comparative purposes, amounts reported by the Company for its year ended October 31, 2011. The Company is continuing to assess the impact on the Company's financial statements and is developing an implementation plan.

Business Combinations

The new Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations", establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. The new standard applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted.

The Company does not expect the adoption of this new standard to have an impact on its financial statements.

Consolidated Financial Statements and Non-Controlling Interests

The new section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests", together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes the accounting for a non-controlling interest in a subsidiary, in the consolidated financial statements, subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted.

The Company does not expect the adoption of this new standard to have an impact on its financial statements.

PACIFIC COMOX RESOURCES LTD.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2009 AND 2008

3 - RELATED PARTY TRANSACTIONS:

The following related party transactions occurred and were reflected in the consolidated financial statements during the years ended October 31, 2009 and 2008:

| | 2009 | 2008 |
|--|-----------|-----------|
| Rent paid to a corporation under common management | \$ 9,932 | \$ 9,860 |
| Consulting fees to an officer of the Company | \$ 54,000 | \$ 79,200 |

Amounts due to/from related parties are as follows:

| | 2009 | 2008 |
|---|------------|------------|
| Due to a shareholder and officer | \$ 92,816 | \$ 184 |
| Advances to a corporation under common management | \$ 364,117 | \$ 330,685 |

The amount due to a shareholder and officer represents amounts advanced which are non-interest bearing and due on demand.

The advances are to a corporation under common management and represent amounts advanced that are repayable on demand. The advances are interest free. The Company does not intend on seeking repayment in the next year.

During the year, the Company reimbursed certain directors of the Company for corporate costs paid directly by the directors. These credits were made at cost and aggregated \$149,775 (2008 - \$499,913).

Mineral properties and intangible assets at October 31, 2009 include \$36,000 (2008 - \$52,800) of consulting fees from an officer and director.

Advances and prepaid expenses at October 31, 2009 include \$Nil (2008 - \$20,000) advanced to an officer and director.

See notes 8 and 12 for additional related party information, unless otherwise stated.

Transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4 - CAPITAL ASSETS:

| | 2009 | | | 2008 |
|--------------------|-----------------|-----------------------------|-------------------|-------------------|
| | COST | ACCUMULATED AMORTIZATION | NET BOOK VALUE | NET BOOK VALUE |
| Computer equipment | <u>\$ 6,823</u> | <u>\$ 6,141</u> | <u>\$ 682</u> | <u>\$ 975</u> |

PACIFIC COMOX RESOURCES LTD.
(A Development Stage Enterprise)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2009 AND 2008

5 - MINERAL PROPERTIES AND COMMITMENTS:

Mineral property expenditures are summarized as follows:

| | 2009 | 2008 |
|----------------------------------|--------------------|---------------------|
| Balance, Beginning of the year | \$6,542,296 | \$ 4,536,478 |
| Acquisition costs | 34,390 | 162,617 |
| Deferred exploration costs | 612,607 | 1,891,432 |
| Write-down of mineral properties | (10,000) | (48,231) |
| Balance, End of the year | <u>\$7,179,293</u> | <u>\$ 6,542,296</u> |

The accumulated costs are represented by the expenditures relating to the companies Mabel, Ryan Lake, Log Lake, and Powell Lake properties.

MABEL

- i) On July 1, 2002, the Company entered into an agreement with respect to certain exploration properties in Mexico, whereby the Company will acquire a 100% interest in the properties over a five-year period, for an aggregate price payable as follows:
- (a) A total cash payment of U.S. \$386,000 payable: year one – U.S. \$20,000, which has been paid; year two – U.S. \$60,000, which has been paid; years three, four and five – U.S. \$102,000 per year, which has been paid. The Company has satisfied the cash payments to be made under the agreement;
 - (b) Subject to regulatory approval and conditions, issue a total of 3,500,000 shares of the Company to the vendors, in a five-year period; respectively, 250,000 shares in each of years one and two, 500,000 shares in year three, 1,000,000 shares in year four and 1,500,000 shares in year five. The Company has satisfied the share issuance obligations under the agreement;
 - (c) A total work commitment of U.S. \$2,300,000, to be spent on the properties in the five-year period; respectively, U.S. \$75,000 in year one, U.S. \$200,000 in year two, U.S. \$500,000 in each of the years three and four and U.S. \$1,000,000 in year five. As of October 31, 2009, the Company met its work commitments for its five-year period work commitments with total exploration and claim expenditures of Cdn \$3,596,184 (approx. U.S. \$3,300,000); and

The properties are also subject to a net smelter royalty of 3% rising to 3.5% for periods in which the gold price exceeds U.S. \$350 per ounce and to 4% for periods in which the gold price exceeds U.S. \$400 per ounce. The Company has the right to purchase (during the term of the agreement and for two years after the commencement of the commercial production) 50% of the net smelter royalty for U.S. \$4,500,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2009 AND 2008

5 - MINERAL PROPERTIES AND COMMITMENTS (continued):

Expenditures relating to the Mexican properties are as follows:

| | |
|----------------------------|--------------------|
| Balance, October 31, 2007 | \$ 1,343,282 |
| Acquisition costs | 71,867 |
| Deferred exploration costs | <u>783,162</u> |
| Balance, October 31, 2008 | \$2,198,311 |
| Deferred exploration costs | <u>401,345</u> |
| Balance, October 31, 2009 | <u>\$2,599,656</u> |

RYAN LAKE

- ii) On March 8, 2005, the Company entered into an agreement to acquire a 100% interest in the Ryan Lake copper-molybdenum property which consists of 10 claims totalling 513 acres, located near Matachewan, Ontario. The aggregate price payable, over a two year period, is as follows:
- (a) A total cash payment of \$600,000 payable: year one – \$225,000 and year two – \$375,000. The Company has made total cash payments of \$600,000 to satisfy the obligation under the agreement;
 - (b) Subject to regulatory approval and conditions, issue a total of 2,000,000 common shares of the Company to the vendors, in a two year period; respectively, 500,000 shares in year one and 1,500,000 shares in year two. The 500,000 shares in respect of year one and the 1,500,000 shares in respect of year two have been issued to the vendor to satisfy obligations under the agreement;
 - (c) A total work commitment of \$300,000, to be spent on the property in the two-year period; respectively, \$100,000 in year one and \$200,000 in year two. The Company has satisfied these work commitment obligations; and
 - (d) The Property is also subject to a net smelter royalty of 1%. The Company will have the right to purchase 50% of the net smelter royalty (0.5%) for \$1,000,000 during the two-year term of the agreement and for two years after the commencement of commercial production.

On November 17, 2006, the Company exercised its option to purchase the Ryan Lake claims. In addition to the cash payment and common share obligation and work commitment, all of which have been satisfied, the Company paid \$100,000 for the mill on the property.

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5 - MINERAL PROPERTIES, INTANGIBLE ASSETS AND COMMITMENTS (continued):

LOG LAKE

- iii) On September 25, 2005, the Company entered into a preliminary option agreement to acquire claims totalling approximately 3,400 acres contiguous to the northern and western boundaries of the Ryan Lake claims in Matachewan, Ontario. To exercise the three year option, the Company has assumed the following commitments:
- (a) A total cash payment of \$180,000 payable: year one – \$80,000; year two – \$50,000; and \$50,000 for year three. The Company has made cash payments totalling \$180,000 to satisfy the obligation under the agreement;
 - (b) Subject to regulatory approval and conditions, issue a total of 850,000 common shares of the Company to the vendors, in a three year period; respectively, 400,000 shares in year one, 200,000 shares in year two and 250,000 shares in year three. The Company has issued the 850,000 common shares to satisfy the obligation under the agreement;
 - (c) A total work commitment of \$235,000, to be spent on the property in the three-year period; respectively, \$60,000 in year one, \$75,000 in year two and \$100,000 in year three; and
 - (d) The Property is also subject to a net smelter royalty of 2%. The Company will have the right to purchase 50% of the net smelter royalty (1%) for \$1,000,000 during the three year term of the agreement and for two years after the commencement of commercial production.

During the year, the Company issued 300,000 common shares with a deemed value of \$9,000 (note 8) to the vendor in order to facilitate the completion of the transfer of 100% ownership of the claims. As a result, certain work commitments that were outstanding with respect to the original option agreement were forgiven.

POWELL LAKE

- iv) On September 8, 2008, the Company entered into an option agreement to acquire four claims in Powell Township contiguous to the Ryan Lake claims in Matachewan, Ontario. To exercise the three year option the Company has assumed the following commitments:
- (a) A total cash payment of \$100,000 payable: on closing - \$20,000; year one – \$20,000; year two – \$20,000 and \$40,000 for year three. As at October 31, 2009, the Company has paid the \$20,000 due on closing and the amount of \$20,000 due September 8, 2009 has been accrued and included in accounts payable and accrued liabilities as at October 31, 2009;
 - (b) Subject to regulatory approval and conditions, issue a total of 500,000 common shares of the Company to the vendor, in a three year period; respectively, 100,000 shares on closing, 100,000 shares in year one, 100,000 shares in year two and 200,000 shares in year three. As at October 31, 2009, the Company issued the 100,000 shares due on closing and the 100,000 share obligation due September 8, 2009 has been accrued in the amount of \$2,000 and included in accounts payable and accrued liabilities as at October 31, 2009; and
 - (c) A total work commitment of \$6,000, to be spent on the property in the three-year period; respectively, \$2,000 in year one, \$2,000 in year two and \$2,000 in year three.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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5 - MINERAL PROPERTIES AND COMMITMENTS (continued):

POWELL LAKE (continued)

The Company is currently in arrears in meeting certain property commitments with respect to the Powell Lake claims. However, in order for the property vendor to exercise default mechanisms, the vendor must issue a default notice in writing, the date from which the Company has six months to satisfy the commitments in arrears. To date, the property vendor has not issued any default notice.

Expenditures relating to the Ryan Lake, Log Lake and Powell Lake, Matachewan, Ontario properties are as follows:

| | Powell Lake | Ryan Lake | Log Lake | Total |
|----------------------------|------------------|---------------------|-------------------|---------------------|
| Balance, October 31, 2007 | \$ - | \$2,938,096 | \$ 255,100 | \$ 3,193,196 |
| Acquisition costs | 25,000 | - | 65,750 | 90,750 |
| Deferred exploration costs | <u>-</u> | <u>1,060,039</u> | <u>-</u> | <u>1,060,039</u> |
| Balance, October 31, 2008 | \$25,000 | \$ 3,998,135 | \$ 320,850 | \$ 4,343,985 |
| Acquisition costs | 22,945 | - | 11,445 | 34,390 |
| Deferred exploration costs | <u>1,872</u> | <u>173,590</u> | <u>25,800</u> | <u>201,262</u> |
| Balance, October 31, 2009 | <u>\$ 49,817</u> | <u>\$ 4,171,725</u> | <u>\$ 358,095</u> | <u>\$ 4,579,637</u> |

OTHER PROPERTIES

- v) During fiscal 2009, the Company was engaged in other exploration activities. The Company incurred initial due diligence exploration costs of \$10,000 (2008 - \$48,231). It was then determined that the property would not be pursued and accordingly all of the amounts incurred were written-off as at October 31, 2009.

| | |
|---------------------------------|-----------------|
| Balance, October 31, 2008 | \$ - |
| Deferred exploration costs | 10,000 |
| Write-off of mineral properties | <u>(10,000)</u> |
| Balance, October 31, 2009 | <u>\$ -</u> |

6 - INCOME TAXES:

At October 31, 2009, the Company has non-capital loss carry forwards of approximately \$ 1,471,568 available to reduce taxable income in future years in Canada. These losses expire through 2029. The benefits of those losses have not been reflected in the consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6 – INCOME TAXES (continued):

As at October 31, 2009, the tax effects of temporary timing differences that give rise to significant components of the future tax assets and liabilities computed at current rates (33%) were as follows:

| | |
|----------------------------------|--------------------|
| Future tax assets: | |
| Capital assets | \$ 11,626 |
| Non-capital losses carry forward | 501,459 |
| Capital losses carry forward | 642,476 |
| Cumulative eligible capital | <u>2,508</u> |
| | 1,158,069 |
| Future tax liabilities: | |
| Resource pools | <u>(1,129,887)</u> |
| | 28,182 |
| Less: Valuation allowance | <u>(28,182)</u> |
| Net asset (liability) | <u>\$ _____</u> |

During the year, the Company's provision for income taxes differ from the amounts computed by applying the basic current rate of 33% (2008- 33%) to loss for the year before taxes, as shown in the following table:

| | 2009 | 2008 |
|---|-----------------|---------------------|
| Statutory rate applied to loss for the year before income taxes | (\$ 59,173) | (\$142,000) |
| Write-off of mineral properties | 3,300 | 16,000 |
| Stock based compensation | - | 29,000 |
| Other | 648 | 400 |
| Tax benefit not recognized on current year's losses | 55,225 | 96,600 |
| Tax benefit renounced to flow-through shareholders | <u>-</u> | <u>(841,863)</u> |
| Future income tax recovery | <u>\$ _____</u> | <u>(\$ 841,863)</u> |

7 - FINANCIAL INSTRUMENTS:

(a) Fair value

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have a material effect on the estimated fair value amounts.

The fair value of cash and equivalents, accounts receivable and accounts payable and accrued liabilities are comparable to their carrying value due to the relatively short period to maturity of these instruments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2009 AND 2008

7 - FINANCIAL INSTRUMENTS (continued):

(a) Fair value (continued)

The fair value of the advances to a related company and due to a shareholder and officer have not been fixed because they are with a related parties and therefore do not reflect terms and conditions which would have been negotiated with arm's length parties.

(b) Risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed to are described below:

- Capital risk

The Company manages its capital with the objective of providing adequate capital resources for the Company. The capital structure of the Company consists of shareholders' equity and depends on the ability of the Company to raise capital.

- Credit risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. Management's assessment of the Company's credit risk is low as it is primarily attributable to funds held in Canadian chartered banks, GST refundable from the Canadian government, and amounts recoverable from a related company. Management does not believe it is exposed to any significant concentration of credit risk except that a significant portion of its cash and cash equivalents are on deposit with a major Canadian chartered bank. All GST recoverable are with the government of Canada. Management believes the advances due from a related party will be recovered.

- Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

- Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair value of financial assets and liabilities.

- Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars and Mexican Pesos. The Company funds operations and exploration in Canada and Mexico. The Company maintains a Mexican Peso bank account in Mexico.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2009 AND 2008

7 - FINANCIAL INSTRUMENTS (continued):

(b) Risk management (continued)

- Foreign currency risk (continued)

Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. During the year ended October 31, 2009, the Company recorded a non-cash loss of \$12,750 (2008 – loss of \$11,168) which reflects the volatility in the current foreign exchange market against the Canadian dollar and due to the variances in the balance sheet from year to year.

Based on the Company's exposure to foreign exchange risk and assuming all other variables remain constant, a 10% increase or decrease in value of the foreign currency against the Canadian dollar would result in an increase or decrease of approximately \$10,000 (2008-\$10,000) in the Company's net loss.

- Interest rate risk

The Company invests cash surplus to its operational needs in investment-grade short term deposit certificates issued by the bank where it keeps its Canadian Bank accounts. The Company periodically assesses the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short term deposit certificates. A change in the interest rate of 1% would cause interest income to change by less than \$1,000.

- Political Risk

Certain properties held by the Company are located in Mexico; accordingly, the Company is subject to risks normally associated with exploration and development of mineral properties in Mexico. The Company's ability to conduct future exploration and development activities is subject to changes in government regulations and shifts in political attitudes over which the Company has no control.

- Business Risk

There is numerous business risks involved in the mineral exploration industry, some of which are outlined below. The Company's current or future operations, including development activities, are subject to environmental regulations which may make operations not economically viable or prohibit them altogether. The success of the operations and activities is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgment, as well as the expertise and competence of the outside contractors, experts and other advisors. The company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect the Company's operations and financial performance.

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7 - FINANCIAL INSTRUMENTS (continued):

(b) Risk management (continued)

- Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company. The Company monitors commodity prices to determine the appropriate course of action to be taken by the Company.

(c) Sensitivity analysis

As at October 31, 2009, the carrying value amounts of the Company's financial instruments approximates their fair value unless otherwise stated.

(d) Classification of financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, advances, accounts payable and accrued liabilities and due to a shareholder and officer.

The Company has made the following classifications:

- Cash and cash equivalents are classified as held-for-trading and are measured at fair value. Gains and losses related to subsequent revaluations are recorded in net income (loss);
- Accounts receivable and advances are classified as loans and receivables and are initially measured at fair value with subsequent measurement at amortized cost. All accounts receivable bad debts are charged to general and administrative expenses; and
- Accounts payable and accrued liabilities and due to a shareholder and officer are classified as other liabilities and are initially measured at fair value with subsequent measurement at amortized cost.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2009 AND 2008

8 - SHARE CAPITAL:

Authorized

Unlimited number of common shares

a) Issued

Common shares

| | 2009 | | 2008 | |
|--|--------------------|----------------------|--------------------|----------------------|
| | Shares | Amount | Shares | Amount |
| Balance, beginning of the year | 171,960,655 | \$ 19,813,439 | 148,343,828 | \$ 18,395,604 |
| Issued on completion of private Placement (b) | - | - | 23,191,827 | 2,551,101 |
| Issued to acquire mineral claims | 300,000 | 9,000 | 350,000 | 17,500 |
| Issued on exercise of warrants | - | - | 75,000 | 7,500 |
| Fair value of warrants reallocated from contributed surplus to share capital | - | - | - | 597 |
| Fair value of warrants attributable to private placement (b) | - | - | - | (317,000) |
| Tax effect of flow-through shares | - | - | - | (841,863) |
| Issue costs | - | - | - | - |
| Balance, end of the year | <u>172,260,655</u> | <u>\$ 19,822,439</u> | <u>171,960,655</u> | <u>\$ 19,813,439</u> |

- b) On November 30, 2007, the Company closed a private placement of \$2,551,101. The financing is in the form of units consisting of a flow-through share and one-half of one share purchase warrant and was at \$0.11 per unit. One full purchase warrant entitles the buyer to purchase one common share at \$0.15 until November 30, 2008. Directors of the Company subscribed for \$154,000 of the financing. The funds raised will be used to advance the exploration program at Ryan Lake copper-molybdenum properties near Matachewan, Ontario. A total of \$317,000 (\$0.027 per share) was assigned to the warrants. The following assumptions were used under Black Scholes: dividend yield of 0.00%; expected volatility of 100%; risk free rate of 3.5% and expected term of one year.

c) Stock-option plan

Under the Employee Stock Option Plan, the Company may grant options for up to 10% of the outstanding shares of common stock. Options may be granted to any director, officer, employee or consultant of the Company or any of its subsidiaries. Options granted to directors, officers and employees vest immediately. If the optionee is a consultant or providing investor relations services to the Company, the options must vest in stages over 12 months, with no more than one quarter of the options vesting in any three-month period. The number of shares reserved for issuance to any one optionee pursuant to options cannot exceed 5% (2% if the optionee is engaged in providing investor relation services to the Company or is a consultant) of the issued and outstanding common shares of the Company at the date of grant of such options. The exercise price of each option cannot be less than the fair market value of the shares on the last trading date preceding the date of the grant. The maximum term of an option is 5 years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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8 - SHARE CAPITAL (continued):

c) Stock-option plan (continued)

On October 20, 2008, the Company granted 8,500,000 options to directors, officers and consultants. The fair value of the options was estimated using Black-Scholes pricing model based on the following assumptions: dividend yield rate of 0.00%, expected volatility of 100%, risk free interest rate of 3.5% and an expected life of 5 years. The total value of the options granted during the year ended October 31, 2009 is \$Nil (2008 – \$88,000).

A summary of the status of the Company's stock option plan and changes during the year is presented below:

| | 2009 | | 2008 | |
|--------------------------------------|-------------------|--|-------------------|--|
| | Shares | Weighted average exercise price | Shares | Weighted average exercise price |
| Outstanding at beginning of the year | 10,400,000 | 0.10 | 4,200,000 | 0.11 |
| Exercised during the year | - | - | - | - |
| Expired during the year | - | - | (2,300,000) | 0.12 |
| Granted during the year | <u>-</u> | - | <u>8,500,000</u> | 0.10 |
| Outstanding at end of the year | <u>10,400,000</u> | 0.10 | <u>10,400,000</u> | 0.10 |

There are 1,900,000 options outstanding that expire on December 23, 2010 and 8,500,000 options outstanding that expire on October 20, 2013 as at October 31, 2009.

d) Warrants

The following summarizes warrants that have been issued:

| | <u>Number of Warrants</u> | |
|---------------------------------------|---------------------------|-------------------|
| | 2009 | 2008 |
| Balance, beginning of year | 11,595,914 | 50,576,807 |
| Warrants issued on private placements | - | 11,595,914 |
| Warrants expired during the year | (11,595,914) | (50,501,807) |
| Warrants exercised during the year | <u>-</u> | <u>(75,000)</u> |
| Balance, end of year | <u>-</u> | <u>11,595,914</u> |

At October 31, 2009, there were no warrants outstanding.

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9 - CONTRIBUTED SURPLUS:

Contributed surplus is comprised of the following:

| | 2009 | 2008 |
|--|-------------------|-------------------|
| Balance, beginning of the year | \$ 935,755 | \$ 531,352 |
| Fair value of stock options granted | - | 88,000 |
| Fair value of private placement ascribed to warrants | - | 317,000 |
| Fair value of warrants reallocated to share capital | <u>-</u> | <u>(597)</u> |
| Balance, end of the year | <u>\$ 935,755</u> | <u>\$ 935,755</u> |

10 - COMPARATIVE FIGURES:

Certain figures shown for comparative purposes have been reclassified to conform to the classifications adopted in the current year.

11 – CAPITAL MANAGEMENT:

The Company considers its capital to include components of shareholders' equity.

The Company's objectives in managing its capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties; to maintain a flexible capital structure for its projects for the benefits of its stakeholders; to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

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, exploration and development 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.

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.

The Company's investment policy is to invest excess cash in low risk, highly liquid, short-term interest bearing investments, selected with regards to the expected timing of upcoming expenditures.

The Company expects its current capital resources will be sufficient to carry out its exploration plans, operation plans and operations through its current operating period.

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 October 31, 2009. The Company is not subject to externally imposed capital requirements.

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12 – SUBSEQUENT EVENT:

On December 31, 2009, the Company closed a private placement raising gross proceeds of \$200,000. Of the financing, \$100,000 is in the form of flow-through units consisting of one flow-through common share and one common share purchase warrant and \$100,000 is in the form of units consisting of one common share and one common share purchase warrant. Each unit was priced at \$0.05 and each warrant is exercisable at \$0.10 for a period of two years expiring December 31, 2011. Directors of the Company subscribed for \$175,000 of the financing. The funds raised will be used to advance the exploration program at Ryan Lake copper-molybdenum properties near Matachewan, Ontario, the Mabel gold/silver property in Mexico, and for general working capital purposes. A finders' fee of 8% was paid to an eligible finder.

13 - SEGMENTED INFORMATION:

The Company operates in a single reportable operating segment, which is the exploration and development of mineral properties.

Segmented geographic information is as follows:

The following table allocates total assets by segment:

| As at October 31 | 2009 | 2008 |
|------------------|---------------------|---------------------|
| Canada | \$ 5,255,299 | \$ 5,664,003 |
| Mexico | <u>2,616,656</u> | <u>2,275,991</u> |
| Total assets | <u>\$ 7,871,955</u> | <u>\$ 7,939,994</u> |

The following table allocates net (loss) income by segment:

| Year ended October 31 | 2009 | 2008 |
|-----------------------|---------------------|-------------------|
| Canada | (\$ 164,444) | \$ 427,427 |
| Mexico | <u>(14,869)</u> | <u>(15,101)</u> |
| Net (loss) income | <u>(\$ 179,313)</u> | <u>\$ 412,326</u> |