

Management's Responsibility

To the Shareholders of Jasper Mining Corporation:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors exercises its responsibilities for financial controls through an Audit Committee. The Audit Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

BDO Canada LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

April 29, 2010

"signed"
John Dixon
Secretary

"signed"
Gordon Dixon
President



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Auditors' Report

To the Shareholders of Jasper Mining Corporation

We have audited the balance sheets of Jasper Mining Corporation as at December 31, 2009 and 2008, and the statements of loss 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 financial statements present fairly, in all material respects, the financial positions 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.

BDO Canada LP

Chartered Accountants

Calgary, Alberta
April 29, 2010

Jasper Mining Corporation
(an exploration stage Corporation)
Balance Sheets
December 31

	<u>2009</u>	<u>2008</u>
Assets		
Current		
Cash	\$ 703,781	\$ 80,444
Term deposit (note 4)	—	198,914
Due from related parties	5,967	6,725
Accounts receivable	8,403	24,847
	<u>718,151</u>	<u>310,930</u>
Mineral property deposits (note 5)	69,581	72,969
Investment (note 6)	100	100
Mineral properties (note 7)	6,755,391	8,800,709
Capital assets (note 8)	151,747	161,405
	<u>\$ 7,694,970</u>	<u>\$ 9,346,113</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 257,458	\$ 347,636
Future income taxes (note 12)	933,216	1,304,924
	<u>1,190,674</u>	<u>1,652,560</u>
Shareholders' Equity		
Share capital (note 9)	7,908,530	7,137,592
Warrants (note 10)	697,633	1,925,175
Contributed surplus (note 11)	5,564,116	4,211,520
Deficit	(7,665,983)	(5,580,734)
	<u>6,504,296</u>	<u>7,693,553</u>
	<u>\$ 7,694,970</u>	<u>\$ 9,346,113</u>

Nature of operations and basis of presentation (note 1)

Commitment (note 13)
On behalf of the Board

"Signed" Fred Shandro Director

"Signed" Jean-Pierre Pelletier Director

See accompanying notes to financial statements

Jasper Mining Corporation
(an exploration stage Corporation)
Statements of Loss, Comprehensive Loss and Deficit
Years ended December 31

	<u>2009</u>	<u>2008</u>
Revenue		
Interest	\$ <u>2,268</u>	\$ <u>42,108</u>
Expenses		
Stock-based compensation <i>(note 9(b))</i>	101,579	333,193
General and administrative	276,489	306,674
Part XII.6 interest	–	50,395
Amortization	9,659	14,023
Interest	–	3,309
Impairment of mineral properties <i>(note 7)</i>	2,258,808	2,655,747
	<u>2,646,535</u>	<u>3,363,341</u>
Loss before income taxes	(2,644,267)	(3,321,233)
Future income tax reduction <i>(note 12)</i>	<u>(559,018)</u>	<u>(665,776)</u>
Net loss and comprehensive loss for the year	(2,085,249)	(2,655,457)
Deficit, beginning of year	<u>(5,580,734)</u>	<u>(2,925,277)</u>
Deficit, end of year	\$ <u><u>(7,665,983)</u></u>	\$ <u><u>(5,580,734)</u></u>
Loss per share – basic and diluted <i>(note 9)</i>	\$ <u><u>(0.03)</u></u>	\$ <u><u>(0.04)</u></u>

See accompanying notes to financial statements

Jasper Mining Corporation
(an exploration stage Corporation)
Statements of Cash Flows
Years ended December 31

	<u>2009</u>	<u>2008</u>
Operating		
Net loss for the year	\$ (2,085,249)	\$ (2,655,457)
Add back non-cash items:		
Stock-based compensation	101,579	333,193
Amortization	9,659	14,023
Impairment of mineral properties	2,258,808	2,655,747
Future income tax reduction	(559,018)	(665,776)
	<u>(274,221)</u>	<u>(318,270)</u>
Change in non-cash working capital <i>(note 14)</i>	<u>(1,802)</u>	<u>(25,194)</u>
	<u>(276,023)</u>	<u>(343,464)</u>
Financing		
Issuance of common shares, net of costs	981,723	1,770,055
Repayment of long-term debt	-	(10,282)
Change in non-cash working capital <i>(note 14)</i>	(7,462)	(22,409)
	<u>974,261</u>	<u>1,737,364</u>
Investing		
Refund (payment) on mineral deposit	3,386	(31,477)
Mineral property expenditures	(213,490)	(3,901,374)
Capital asset expenditures	-	(10,931)
Term deposit redemption	198,914	2,066,380
Change in non-cash working capital <i>(note 14)</i>	(63,711)	(33,850)
	<u>(74,901)</u>	<u>(1,911,252)</u>
Increase (decrease) in cash	623,337	(517,352)
Cash, beginning of year	<u>80,444</u>	<u>597,796</u>
Cash, end of year	\$ <u>703,781</u>	\$ <u>80,444</u>
Supplemental cash flow information		
Interest paid	<u>\$ -</u>	<u>\$ 3,309</u>

Jasper Mining Corporation

(an exploration stage Corporation)

Notes to the Financial Statements

December 31, 2009 and 2008

1. Nature of operations and basis of presentation

The Corporation is incorporated under the laws of the Province of Alberta and is listed on the TSX Venture Exchange. The Corporation is engaged in the business of mineral exploration in Canada. To date, the Corporation has not yet determined whether these properties are economically recoverable and is considered to be in the exploration stage. The Corporation is satisfied that title to all of its properties in all material respects is satisfactory.

At December 31, 2009, the Corporation has a working capital of \$460,693 (2008 - deficiency – \$36,706) and an accumulated deficit of \$7,665,983 (2008 – \$5,580,734). As described in Note 13, at December 31, 2009 the Corporation must incur \$1,050,000 of qualifying flow through expenditures. The Corporation's ability to continue its operations is dependent on the Corporation's success in developing its mineral interests, obtaining required funds to continue exploration activities and attaining profitable operations.

These audited financial statements have been prepared on the basis that the Corporation will be able to discharge its obligations and realize its assets in the normal course of business at the values at which they are carried in these financial statements, and that the Corporation will be able to continue its business activities. Management believes that steps being taken will enable the Corporation to obtain additional capital as its commitments become due. However, there is no certainty that the Corporation will be able to continue as a going concern, in which case the Corporation may not be able to meet its obligations as they come due, or realize its assets at the amounts at which they are carried in these financial statements. Should the going concern assumption not be appropriate, certain asset and liability amounts would require adjustment and reclassification and such adjustments may be significant.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. Accordingly, actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash

Cash consist of bank balances.

Jasper Mining Corporation

(an exploration stage Corporation)

Notes to the Financial Statements

December 31, 2009 and 2008

2. Significant accounting policies (continued)

b) Mineral properties

The Corporation records its interest in mineral claims and properties at cost whereby all direct and indirect costs of acquiring, exploring for and developing mining properties are capitalized as separate areas of interest.

The Corporation capitalizes the acquisition costs of mineral properties and all direct costs relating to exploration on its mineral properties. These costs will be amortized over the estimated productive lives of the properties upon commencement of production using the unit-of-production method. Costs related to abandoned projects are written off. Mineral property interest, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration work, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded. General exploration costs not related to specific properties and general administrative expenses are charged to operations in the year in which they are incurred.

Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the resource interests. It is reasonably possible, based on existing knowledge that changes in future conditions could require a change in the recognized amounts.

Where the Corporation's exploration commitments for a mineral property are performed under option agreements with a third party, the proceeds of option payments under such agreements are applied to the mineral property to the extent costs are incurred. The excess is recorded to earnings (loss). Provincial government mining tax credits reduce the book value of mineral properties.

c) Capital assets

Capital assets are recorded at cost. Amortization is determined using the declining balance basis, over the estimated useful life of the assets at the following annual rates:

Furniture and fixtures	20 to 30%	Fence	10%
Vehicles	30%	Computer equipment	30 to 50%

d) Impairment of long-lived assets

The Corporation reviews its long-lived assets, including mineral properties for impairment. Long-lived assets are assessed for impairment when events and circumstances warrant an assessment. Mineral properties in the exploration stage do not have established mineral reserves and a basis for the preparation of a projection of the estimated future net cash flow from the properties does not exist.

However, a mining enterprise is required to consider factors which might indicate that an impairment exists. These conditions include significant unfavorable economic, legal, regulatory, environmental, political and other factors. In addition, management's development activities towards its planned principal operations are a key factor considered as part of the ongoing assessment of the recoverability of the carrying amount of mineral properties. Whenever events or changes in circumstances indicate that the carrying amount of a mineral property in the exploration stage maybe be impaired, capitalized costs are written down to the estimated fair value.

Jasper Mining Corporation

(an exploration stage Corporation)

Notes to the Financial Statements

December 31, 2009 and 2008

2. Significant accounting policies (continued)

e) Asset retirement obligation

Asset retirement costs and liabilities associated with site restoration and abandonment of long-lived assets are initially measured at fair value which approximates the cost a third party would incur in performing the tasks necessary to retire such assets. Such costs are capitalized as part of the cost of mineral properties and amortized to expense through depletion over the life of the asset. The change in the liability due to the passage of time is measured by applying an interest method of allocation to the opening liability and is recognized as an increase in the carrying value of the liability and an expense. The expense is recorded as accretion expense in the statement of loss. A change in the liability resulting from revisions to either the timing or the amount of the original estimate of undiscounted cash flows is recognized as an increase or decrease in the carrying amount of the liability, with an offsetting increase or decrease in the carrying amount of the associated asset. Management has reviewed the nature of exploration activity on the properties including the potential impact that would require restoration. The Corporation has assessed the exposure to be immaterial to the financial statements and accordingly, has not recorded an asset retirement obligation.

f) Future income taxes

The Corporation follows the asset and liability method of accounting for income taxes. Under this method future tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities, and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings (loss) in the period in which the change is substantively enacted. A valuation allowance is recorded against a future income tax asset if it is more likely than not that the asset will not be realized.

g) Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act (Canada) (the "Act"). The Act provides that, where the share issuance proceeds are used for exploration and development expenditures, the related income tax deduction may be renounced to subscribers. Accordingly, these expenditures provide no income tax deduction to the Corporation.

Share capital is reduced and a future income tax liability is recorded for the estimated future tax cost of the renounced expenditures, on the date that the Corporation files the renouncement documents with the tax authorities.

h) Stock options

Under the Corporation's stock option plan described in note 9(b), options to purchase common shares are granted to directors, employees and consultants at current market prices. Stock-based compensation is recorded over the vesting period of the options with a corresponding amount recorded as contributed surplus. Stock-based compensation for options granted to directors and employees is based on the estimated fair value at the time of the grant. Stock-based compensation for options granted to consultants is based on the estimated fair value at each balance sheet date until the related options are fully vested. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. In the event that vested options expire unexercised, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are forfeited, previously recognized compensation expense associated with such stock options is reversed.

Jasper Mining Corporation

(an exploration stage Corporation)

Notes to the Financial Statements

December 31, 2009 and 2008

2. Significant accounting policies (continued)

i) Per share amounts

The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of in-the-money stock options or warrants are assumed to be used to purchase, for cancellation, common shares of the Corporation at the average market price during the year. Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if stock options or warrants to purchase common shares were exercised and converted to common shares.

j) Revenue recognition

Interest income is recorded on a pro rata basis over the term of the related investments.

k) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The expenditure classification made with respect to the renouncement of flow-through shares is based on estimates from geologic information obtained and the classification of the expenditures may be challenged by the taxation authorities and in this regard the assessments may be different from that of management. The amounts recorded for stock-based compensation and the value of warrants are based on estimates and assumptions for expected volatility and risk-free interest rates. By their nature, these estimates and assumptions are subject to measurement uncertainty, and the impact in the financial statements of future periods could be material. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

l) Financial instruments

All financial instruments, including all derivatives, except for certain related party transactions are recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in operations. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income (loss) and reclassified to operations when derecognized or impaired.

The Corporation has classified its financial assets and liabilities as follows:

<u>Held-for-trading</u>	<u>Loans and receivables</u>	<u>Other liabilities</u>
Cash	Accounts receivable	Accounts payable and accrued liabilities
Investment	Due from related parties	
Term deposit	Mineral property deposits	

At each balance sheet date, the Corporation assesses whether a financial asset is impaired and any related impairment is recorded in operations.

Jasper Mining Corporation

(an exploration stage Corporation)

Notes to the Financial Statements

December 31, 2009 and 2008

2. Significant accounting policies (continued)

m) Comprehensive loss

Comprehensive loss is the change in shareholders' deficit during a period from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as held available-for-sale. The Corporation has reported a statement of comprehensive loss combined with the statement of operations. When related amounts are recorded, a new category for accumulated other comprehensive loss will be presented in the shareholders' equity section of the balance sheet.

n) Derivative instruments

Derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value unless they qualify for the normal sale and purchase exception. Changes in the fair values of derivative instruments are recognized in operations with the exception of derivatives designated as cash flow hedges. The Corporation did not identify any derivatives which require separate recognition and measurement.

3. Changes in accounting policies

In 2009, the Corporation adopted the following new or revised accounting standards with no impact on the opening deficit:

- a) *Section 3064 Goodwill and Intangible Assets* was issued to replace Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. Section 3064 provides extensive guidance on when expenditures qualify for recognition as intangible assets, and aligns Canadian GAAP with International Financial Reporting Standards ("IFRS").
- b) *EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* was issued to clarify that an entity must consider its own risk and the credit risk of the counterparty when measuring the fair value of financial instruments.
- c) *EIC-174 Mining Exploration Costs* to replace EIC-126 Accounting by Mining Enterprises for Exploration Costs. EIC-174 provides additional guidance on when to assess impairment of mining exploration costs for an enterprise that has initially capitalized exploration costs. EIC-174 had no impact on the Company's financial statements as all exploration costs are expensed as incurred.
- d) *Section 3855 Financial Instruments — Recognition and Measurement* was amended to bring greater consistency between Canadian GAAP, IFRS and US GAAP regarding the timing of impairment recognition for debt instruments. The amendments allow more debt instruments to be classified as loans and receivables. In addition, the amendments require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances and require that loans and receivables that an entity intends to sell immediately or in the near term be classified as held for trading. The transitional provisions are complex and are accompanied by disclosure requirements to explain any reclassifications made on adopting the amendments.

Jasper Mining Corporation

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Notes to the Financial Statements

December 31, 2009 and 2008

3. Changes in accounting policies (continued)

- e) *Section 3862 Financial Instruments – Disclosures* was amended to require improved and consistent disclosures about fair value measurements of financial instruments and liquidity risk. The amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. In the first fiscal year of application, an entity need not provide comparative information for the disclosures required by the amendments. See note 16.

f) Future accounting standards

Accounting changes

In June 2009, *Section 1506 Accounting Changes* was issued to exclude from the scope of Section 1506 changes in accounting policies upon the complete replacement of an entity's primary basis of accounting, as will occur when the Corporation adopts IFRS. The amendment is effective for fiscal years beginning on or after July 1, 2009.

Business combinations and non-controlling interests

In January 2009, the AcSB issued Section 1582 Business Combinations, Section 1601 Consolidations, and Section 1602 Non-controlling Interests. Section 1582 replaces Section 1581 Business Combinations and provides the Canadian equivalent to IFRS 3 Business Combinations. Section 1601 and Section 1602 replace Section 1600 Consolidated Financial Statements. Section 1602 provides the Canadian equivalent to International Accounting Standard ("IAS") 27 Consolidated and Separate Financial Statements, for non-controlling interests. These standards are effective January 1, 2011.

Equity

In August 2009, *Section 3251 Equity* was issued in response to issuing *Section 1602 Non-controlling Interests*. The amendments require non-controlling interests to be recognized as a separate component of equity. The amendments apply only to entities that have adopted Section 1602.

Comprehensive Revaluation of assets and liabilities

In August 2009, *Section 1625 Comprehensive Revaluation of Assets and Liabilities* was issued for consistency with new *Section 1582 Business Combinations*. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011.

International Financial Reporting Standards ("IFRS")

The Accounting Standards Board ("AcSB") has confirmed that accounting standards in Canada will converge with IFRS. Entities will be required to adopt IFRS effective January 1, 2011 with a restatement of the comparative periods for 2010 including an opening balance sheet as at January 1, 2010. Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy and increased note disclosures which must be addressed. The Corporation has not yet commenced to develop its IFRS conversion plan.

Jasper Mining Corporation
(an exploration stage Corporation)
Notes to the Financial Statements
December 31, 2009 and 2008

4. Term deposit

As at December 31, 2008, the Corporation held a guaranteed investment certificate at a Canadian chartered bank in the principal amount \$198,914 which earned interest of 1.40%. The investment was redeemed during the year ended December 31, 2009.

5. Mineral property deposits

The Corporation has made no provision for site restoration costs or potential environmental liabilities on the basis any such liability would not have a material effect on these financial statements. Factors such as further exploration, inflation and changes in technology may materially change the cost estimate. Mineral property deposits totaling \$69,581 (2008 – \$72,969) have been paid to the Government of British Columbia and are refundable upon reclamation of areas impacted by mining exploration activities.

6. Investment

The Corporation owns 50% of the common shares outstanding in a private company named Jasper Diamonds Inc. for an investment of \$100. The remaining 50% is held by the President of the Corporation. The Company was inactive throughout the current and prior year and held no assets or liabilities.

7. Mineral properties

		Balance as at December 31 2008	2009 Expenditures	Impairment	Balance as at December 31 2009
Vowell Creek	Acquisition	\$ –	\$ 3,279	\$ (3,279)	\$ –
Isintok	Acquisition	113,867	–	–	113,867
	Exploration	3,132,106	162,967	–	3,295,073
Lydy/McFarlane	Acquisition	93,715	–	(42,015)	51,700
	Exploration	3,102,756	45,878	(192,707)	2,955,927
Erie Creek	Acquisition	57,457	–	(57,457)	–
	Exploration	986,584	–	(986,584)	–
Irony	Acquisition	58,262	–	(58,262)	–
	Exploration	554,224	–	(554,224)	–
Other	Acquisition	160,038	691	(93,583)	67,146
	Exploration	541,700	675	(270,697)	271,678
		<u>\$ 8,800,709</u>	<u>\$ 213,490</u>	<u>\$ (2,258,808)</u>	<u>\$ 6,755,391</u>
Summary	Acquisition	\$ 483,339	\$ 3,970	\$ (254,596)	\$ 232,713
	Exploration	<u>8,317,370</u>	<u>209,520</u>	<u>(2,004,212)</u>	<u>6,522,678</u>
		<u>\$ 8,800,709</u>	<u>\$ 213,490</u>	<u>\$ (2,258,808)</u>	<u>\$ 6,755,391</u>

Jasper Mining Corporation
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Notes to the Financial Statements
December 31, 2009 and 2008

7. Mineral properties (continued)

		Balance as at December 31 2007	2008 Expenditures	Impairment	Balance as at December 31 2008
Vowell Creek	Acquisition	\$ 621,382	\$ 2,327	\$ (623,709)	\$ –
	Exploration	1,629,517	866	(1,630,383)	–
Isintok	Acquisition	113,308	559	–	113,867
	Exploration	1,326,700	1,805,406	–	3,132,106
Lydy/McFarlane	Acquisition	89,728	3,987	–	93,715
	Exploration	1,247,366	1,855,390	–	3,102,756
Proximal	Acquisition	38,254	595	(38,849)	–
	Exploration	120,324	8,159	(128,483)	–
Erie Creek	Acquisition	57,457	–	–	57,457
	Exploration	977,182	9,402	–	986,584
Irony	Acquisition	58,262	–	–	58,262
	Exploration	554,224	–	–	554,224
Other	Acquisition	271,651	9,519	(121,132)	160,038
	Exploration	432,131	222,760	(113,191)	541,700
		<u>\$ 7,537,486</u>	<u>\$ 3,918,970</u>	<u>\$ (2,655,747)</u>	<u>\$ 8,800,709</u>
Summary	Acquisition	\$ 1,250,042	\$ 16,987	\$ (783,690)	\$ 483,339
	Exploration	6,287,444	3,901,983	(1,872,057)	8,317,370
		<u>\$ 7,537,486</u>	<u>\$ 3,918,970</u>	<u>\$ (2,655,747)</u>	<u>\$ 8,800,709</u>

The Corporation has not capitalized any general and administrative expenses to mineral properties in 2009 and 2008. During the year ended December 31, 2009 the Corporation capitalized \$nil of stock-based compensation (2008 – \$17,596) related to the fair value of options granted to field consultants.

In 2009, management's evaluation of the Corporation's exploration results and future plans for the ten (2008 - five) properties in British Columbia determined the properties to be impaired as exploration plans have been delayed on these properties. Although the Company may continue to hold the related claims, an impairment charge of \$2,258,808 (2008 - \$2,655,747) was recorded to the statement of loss for the years ended December 31, 2009 and 2008. Future license fees will be expensed as incurred until management recommences exploration plans or the claims are sold.

Jasper Mining Corporation
(an exploration stage Corporation)
Notes to the Financial Statements
December 31, 2009 and 2008

7. Mineral properties (continued)

Pursuant to a mining option agreement between the Corporation and Van der Lee, Berar, Coldwell and Adamson, signed June 29, 2001 and a letter agreement signed January 11, 2002, the Corporation has an option to purchase a 3% net smelter return royalty for \$1,750,000, at any time. The 3% return royalty only relates to Van der Lee, Berar, Coldwell and Adamson claims which is a small portion of the Corporation's Ruth Vermont Vowell Creek claims.

Pursuant to an agreement dated February 6, 1996, Centipede Resources Ltd. transferred certain mining claims held in the Ruth Vermont Claim Group, being part of the Vowell Creek project in British Columbia, to the Corporation for a 5% net profits return. The Corporation has the option to purchase the net profits return for \$1,000,000.

8. Capital assets

	December 31, 2009		
	Cost	Accumulated Depreciation	Net
Land	\$ 123,387	\$ —	\$ 123,387
Furniture and fixtures	1,708	1,495	213
Vehicles	70,887	53,947	16,940
Fence	12,692	2,926	9,766
Computer equipment	14,005	12,564	1,441
	<u>\$ 222,679</u>	<u>\$ 70,932</u>	<u>\$ 151,747</u>

	December 31, 2008		
	Cost	Accumulated Amortization	Net
Land	\$ 123,387	\$ —	\$ 123,387
Furniture and fixtures	1,708	1,442	266
Vehicles	70,887	46,687	24,200
Fence	12,692	1,840	10,852
Computer equipment	14,005	11,305	2,700
	<u>\$ 222,679</u>	<u>\$ 61,274</u>	<u>\$ 161,405</u>

Jasper Mining Corporation
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Notes to the Financial Statements
December 31, 2009 and 2008

9. Share capital

a) Common shares issued

	Number		Amount
Balance – December 31, 2007	56,760,053	\$	7,064,611
Private placements – common shares (i)	1,490,000		397,544
Private placements – common shares (ii)	2,013,332		258,059
Private placements – flow-through common shares (iii)	1,654,162		340,635
Private placement – flow-through common shares (iv)	490,000		101,878
Exercise of stock options (v)	297,500		120,930
Tax effect of flow-through shares (vi)	–		(912,500)
Share issue costs (net of tax of \$nil)	–		(233,565)
Balance – December 31, 2008	62,705,047		7,137,592
Private placement - flow-through common shares (vii)	250,000		49,039
Flow-through common shares to be issued (vii)	5,000,000		984,202
Tax effect of flow-through shares (iii & iv)	–		(187,310)
Share issue costs(net of tax of \$nil)	–		(74,993)
Balance – December 31, 2009	67,955,047	\$	7,908,530

- i) During March and April 2008, the Corporation completed three private placements for a total of 1,490,000 units at \$0.35 per unit for gross proceeds of \$521,500. Each unit consisted of one common share and one-half common share purchase warrant entitling the holder of each whole warrant to purchase one common share at an exercise price of \$0.50 per share up to eighteen months from the closing date. At the time of the private placements \$397,544 was ascribed to common shares and \$123,956 was ascribed to warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 2.85%; expected life of 1.5 years; dividend yield of nil; and expected volatility of 105%. These warrants expired unexercised and the fair value of the warrants was charged to contributed surplus.

A finder's fee was paid comprised of \$26,075 cash and 149,000 warrants. The warrants are exercisable at \$0.35 per share of which 149,000 expired unexercised in 2009. The fair value of the warrants was recorded as share issue costs estimated at \$31,424 using the Black-Scholes pricing model assuming a risk-free rate of 2.85%; expected life of 1 to 2 years; dividend yield of nil; and expected volatility of 105% - 120%.

- ii) During August and September 2008, the Corporation completed two private placements for a total of 2,013,332 units at \$0.30 per unit for gross proceeds of \$604,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at an exercise price of \$0.60 per share for up to one year from the closing date or \$0.75 per share from one year to two years from the closing date. At the time of the private placements \$258,059 was ascribed to common shares and \$345,941 was ascribed to warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 2.57%; expected life of 2.0 years; dividend yield of nil; and expected volatility of 135%.

A finder's fee was paid comprised of \$83,603 cash and 126,699 warrants. The warrants are exercisable at \$0.40 per share and expire on September 16, 2010. The fair value of the warrants has been recorded as share issue costs estimated at \$26,594 using the Black-Scholes pricing model assuming a risk-free rate of 2.57%; expected life of 2.0 years; dividend yield of nil; and expected volatility of 135%.

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Notes to the Financial Statements

December 31, 2009 and 2008

9. Share capital (continued)

a) Common shares issued (continued)

- iii) During August to November 2008, the Corporation completed three private placements for a total of 1,654,162 flow-through units at \$0.37 per unit for gross proceeds of \$612,040. Each unit consisted of one flow-through common share and one common share purchase warrant entitling the holder to purchase one common share at an exercise price of \$0.75 per share for up to one year from the closing date or \$1.00 per share from one year to two years from the closing date. At the time of the private placements \$340,635 was ascribed to the common shares and \$271,405 was ascribed to warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 2.57%; expected life of 2.0 years; dividend yield of nil; and expected volatility of 135%-156%.

The tax effect in the amount of \$153,010 was recorded in February 2009 when the tax benefits were filed with the tax authorities and renounced to investors with an effective date of December 31, 2008. As at December 31, 2009, all of the qualifying expenditures had been incurred.

- iv) During December 2008, the Corporation completed a private placement for a total of 490,000 flow-through units at \$0.28 per unit for gross proceeds of \$137,200. These shares were issued during 2009. Each unit consisted of one flow-through common share and one common share purchase warrant entitling the holder to purchase one common share at an exercise price of \$0.75 per share for up to eighteen months from the closing date. At the time of the private placement \$101,878 was ascribed to the common shares and \$35,322 was ascribed to warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 2.57%; expected life of 2.0 years; dividend yield of nil; and expected volatility of 179%.

A finder's fee was paid comprised of \$8,220 cash and 19,600 warrants. The warrants are exercisable at \$0.50 per share and expire on June 30, 2010. The fair value of the warrants has been recorded as share issue costs estimated at \$1,612 using the Black-Scholes pricing model assuming a risk-free rate of 2.57%; expected life of 2.0 years; dividend yield of nil; and expected volatility of 179%.

The tax effect in the amount of \$34,300 was recorded in February 2009 when the tax benefits were filed with the tax authorities and renounced to investors with an effective date of December 31, 2008. As at December 31, 2009, all of the qualifying expenditures had been incurred.

- v) In September 2008, the Corporation issued 297,500 common shares for total proceeds of \$69,250 on the exercise of 200,000 options at \$0.20 per share and 97,500 options at \$0.30 per share. In addition to the cash proceeds, a \$51,680 pro-rata allocation of the options' fair value has been reclassified from contributed surplus to the amount for common shares. A former director of the Corporation exercised all of the options.
- vi) The \$912,500 tax effect of the \$3,650,000 flow-through share proceeds raised in 2007 was recorded in February 2008 when the tax benefits were filed with the tax authorities and renounced to investors with an effective date of December 31, 2007. As at December 31, 2008, all qualifying flow-through expenditures had been incurred.

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9. Share capital (continued)

a) Common shares issued (continued)

vii) During November and December 2009, the Corporation completed two private placements for a total of 5,250,000 flow-through units at \$0.20 per unit for gross proceeds of \$1,050,000. At December 31, 2009, 5,000,000 shares were subscribed and paid but not yet issued. Each unit consisted of one flow-through common share and one tenth common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.75 per share for up to one and one half years from the closing date. At the time of the private placements \$1,033,241 was ascribed to the common shares and \$16,759 was ascribed to warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model assuming a risk-free interest rate of 2.85%; expected life of 1.5 years; dividend yield of nil; and expected volatility of 170%-187%.

A finder's fee was paid comprised of \$59,857 cash and 210,000 stock options. The finder's fee options are exercisable at \$0.75 per share and expire on May 10, 2011 and July 18, 2011. The tax effect of the \$1,050,000 flow-through share proceeds will be recorded in February 2010 when the tax benefits were filed with the tax authorities and renounced to investors with an effective date of December 31, 2009. As at December 31, 2009, none of the qualifying expenditures had been incurred.

b) Stock options

The Corporation has a stock option plan, administered by the Board of Directors, for directors, officers, key employees and consultants of the Corporation. The options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Corporation, and vest over terms determined at the time of grant. The price of the stock options can not be lower than permitted by the TSXV. In June 2008, the Corporation's shareholders approved increasing the number of shares covered by the Corporation's stock option plan from 9,200,000 shares to 11,600,000 shares.

The following is a continuity of stock options for which shares have been reserved at December 31:

	2009		2008	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Balance – beginning	7,367,500	\$0.34	6,852,500	\$0.35
Granted	210,000	0.75	1,275,000	0.30
Exercised	–	–	(297,500)	0.23
Cancelled or expired	(2,130,000)	0.32	(462,500)	0.43
Balance – ending	5,447,500	\$0.37	7,367,500	\$0.34

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Notes to the Financial Statements
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9. Share capital (continued)

b) Stock options (continued)

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

Exercise Price	Number Outstanding	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
\$ 0.30	2,967,500	2,967,500	\$ 0.30	2.7
0.40	1,550,000	1,550,000	0.40	1.9
0.45	720,000	720,000	0.45	0.8
\$ 0.75	210,000	210,000	0.75	1.5
	<u>5,447,500</u>	<u>5,447,500</u>	<u>\$ 0.37</u>	<u>2.17</u>

During 2009, the Corporation granted a total of 210,000 finder's fees options which vested immediately. The total fair value of these options granted was estimated to be \$6,716 which was recorded in share issue costs. The Black-Scholes pricing model was used to estimate the fair value of these options granted using a forfeiture rate of nil%, a dividend yield of nil and based on the following significant assumptions:

Weighted average risk-free interest rate	2.85%
Weighted average volatility	170%-187%
Expected life	1.5 years

In September 2008, the Corporation granted 1,275,000 stock options exercisable at \$0.30 to directors, officers, employees and consultants. The options expire in July 2013 and vest 50 percent immediately and the balance one year from the date of grant except for 100,000 options issued to consultants that vest 50 percent six months from the date of grant and the balance one year from the date of grant. The fair value of these options was estimated at \$321,689 using the Black-Scholes pricing model based on the following assumptions: risk free interest rate of 3.5%, expected life of 5.0 years, 0% forfeitures and expected volatility of 120%.

The Corporation recognized stock-based compensation expense in the years ended December 31 as follows:

Year of option grant	Weighted Average Fair Value Per Share	2009	2008
2007	1.52	—	140,799
2008	0.25	101,579	209,990
		<u>101,579</u>	<u>350,789</u>
Capitalized to mineral properties (<i>note 7</i>)		—	(17,596)
Expensed		<u>\$ 101,579</u>	<u>\$ 333,193</u>

c) Per share amounts

Per share calculations are based on the weighted average number of common shares outstanding during the year ended December 31, 2009 of 62,755,047 (2008 – 59,264,946). The effect of the conversion of all outstanding options and warrants would be anti-dilutive. There are no escrow shares outstanding at December 31, 2009.

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December 31, 2009 and 2008

10. Warrants

	Number	Amount
Balance – December 31, 2007	9,125,000	\$ 1,088,921
Private placements (<i>note 9(a)(i)</i>)	745,000	123,956
Finders warrants (<i>note 9(a)(i)</i>)	149,000	31,424
Private placements (<i>note 9(a)(ii)</i>)	2,013,332	345,941
Finders warrants (<i>note 9(a)(ii)</i>)	126,699	26,594
Private placements (<i>note 9(a)(iii)</i>)	1,654,162	271,405
Private placement (<i>note 9 (a) (iv)</i>)	490,000	35,322
Finders warrants (<i>note 9 (a)(iv)</i>)	19,600	1,612
Balance – December 31, 2008	14,322,793	\$ 1,925,175
Private placements (<i>note 9(a)(vii)</i>)	525,000	16,759
Expired	(10,019,000)	(1,244,301)
Balance – December 31, 2009	<u>4,828,793</u>	<u>697,633</u>

The following table summarizes information about warrants as at December 31, 2009:

Exercise Price	Number Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
0.40	126,699	0.40	0.7
0.50	19,600	0.50	0.5
0.75	3,028,332	0.75	0.71
1.00	1,654,162	1.00	0.81
	<u>4,828,793</u>	<u>\$ 0.83</u>	<u>0.77</u>

The warrants are subject to a four month hold period at the date of the issuance of the private placement.

11. Contributed surplus

Balance – December 31, 2007	\$ 3,912,411
Stock-based compensation (<i>note 9(c)</i>)	350,789
Exercise of stock options (<i>note 9(b)</i>)	(51,680)
Balance – December 31, 2008	\$ 4,211,520
Stock-based compensation (<i>note 9(b)</i>)	101,579
Warrants expired (<i>note 10</i>)	1,244,301
Finder's fee options (<i>note 9(b)</i>)	6,716
Balance – December 31, 2009	<u>\$ 5,564,116</u>

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Notes to the Financial Statements
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12. Income taxes

The Corporation's computation of income taxes is as follows:

	2009	2008
Loss for the year before income taxes	\$ (2,644,267)	\$ (3,321,233)
Anticipated income tax reduction at 29.5% (2008 – 30.25%)	\$ (780,059)	\$ (1,004,673)
Stock-based compensation and other non-deductible items	31,850	104,136
Capital gains on expired warrants	159,099	-
Change in valuation allowance	(78,456)	112,453
Other	18,684	(33,984)
Effect of tax rate change	89,864	156,292
Future income tax reduction	\$ (559,018)	\$ (665,776)

The components of the net future income tax asset (liability) at December 31, 2009 are as follows:

	2009	2008
Non-capital loss carry forwards	\$ 567,683	\$ 598,388
Share issue costs	86,819	134,570
Cumulative eligible capital	11,720	11,720
Mineral properties and deferred exploration costs	(944,936)	(1,317,124)
	(278,714)	(572,446)
Valuation allowance	(654,502)	(732,478)
	\$ (933,216)	\$ (1,304,924)

As at December 31, 2009, the Corporation has approximately \$3,000,000 (2008 – \$3,500,000) in tax pools and \$2,200,000 (2008 – \$2,300,000) in non-capital losses available for deduction against future taxable income. The non-capital losses expire between 2010 and 2028 as follows:

Expiry	Losses
2010	\$ 100,000
2014	200,000
2025	300,000
2026	700,000
2027	400,000
2028	500,000
	\$ 2,200,000

The future income tax assets for non-capital losses and share issue costs have not been recognized as their recovery is uncertain.

13. Commitment

Pursuant to the flow-through financing in November and December 2009, the Corporation must incur \$1,050,000 of qualifying flow-through expenditures by December 31, 2010.

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14. Change in non-cash working capital

	<u>2009</u>	<u>2008</u>
Accounts receivable	\$ 16,444	\$ 19,710
Due from related party	758	9,105
Accounts payable and accrued liabilities	<u>(90,177)</u>	<u>(110,268)</u>
	<u>\$ (72,975)</u>	<u>\$ (81,453)</u>

The change in non-cash working capital has been allocated to the following activities:

	<u>2009</u>	<u>2008</u>
Operating	\$ (1,802)	\$ (25,194)
Financing	(7,462)	(22,409)
Investing	<u>(63,711)</u>	<u>(33,850)</u>
	<u>\$ (72,975)</u>	<u>\$ (81,453)</u>

15. Related party balances and transactions

Transactions were in the normal course of operations and recorded at exchange amounts, which is the amount of consideration established and agreed to by the related parties.

Except as disclosed elsewhere in the financial statements, the Corporation had the following related party transactions:

- a) Legal fees of \$5,750 (2008 – \$nil) relating to various financings were charged by the President's law firm of which \$5,750 (2008 – \$nil) was recognized as share issue costs.
- b) A total of \$50,400 (2008 – \$49,350) was charged by a company owned by the President for rent and administrative services.

16. Financial instruments and financial risk management

The Corporation's financial instruments include cash, term deposit, accounts receivable, due from related parties, investment, mineral property deposits and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Corporation's activities. The Corporation has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Corporation's exposure to each of the above risks and the Corporation's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

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Notes to the Financial Statements

December 31, 2009 and 2008

16. Financial instruments and financial risk management (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein:

a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's policy is to ensure that its investments are liquid and not invested in asset-backed commercial paper products.

The Corporation's accounts receivable relates to Goods and Services Tax input tax credits. Accordingly, the Corporation views credit risk on accounts receivable as minimal and has subsequently collected the outstanding amount.

b) Liquidity risk

Liquidity risk is the risk that the Corporation will incur difficulties meeting its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Corporation's reputation.

The Corporation prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Corporation raises funds through private equity placements. The Corporation's liquidity position has weakened since the beginning of the year due to the cost of ongoing exploration and corporate activities exceeding funds raised during the period. Current market conditions resulting from the global credit crisis have created unfavourable terms for equity financings required for many junior mineral exploration companies, including the Corporation. As a result, the Corporation is currently evaluating alternatives to raise additional capital to improve liquidity.

As at December 31, 2009, the Corporation's financial liabilities were comprised of accounts payable and accrued liabilities which have a maturity of less than one year. As described in Note 13 at December 31, 2009, the Corporation has a \$1,050,000 unexpended flow through commitment and working capital of \$460,693.

c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Corporation is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian and United States dollar. As all of the Corporation's transactions are denominated in Canadian dollars, the Corporation is not exposed to foreign currency exchange risk at this time.

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Notes to the Financial Statements

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16. Financial instruments and financial risk management (continued)

c) Market risk (continued)

ii) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Corporation has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

iii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk primarily through its variable interest rate on its cash and term deposits. For the year ended December 31, 2009, if interest rates had been 1% higher with all other variables held constant, loss for the year would have been \$975 lower, (2008 – \$12,121) due to increased interest income. An equal and opposite impact would have occurred had interest rates been lower by the same amounts.

The Corporation did not have any interest rate contracts outstanding at December 31, 2009 or 2008.

17. Capital management

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the development of its mineral properties. Therefore, the Corporation monitors the level of risk incurred in its mineral property expenditures relative to its capital structure.

The Corporation considers its capital structure to include its working capital of \$460,693 (2008 – deficiency of \$36,706) and shareholders' equity of \$6,504,296 (2008 – \$7,693,553). The Corporation monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

To maintain or adjust the capital structure, the Corporation may issue new equity if available on favorable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

The Corporation's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Corporation is not subject to externally imposed capital requirements. There has been no change in the Corporation's approach to capital management during the year ended December 31, 2009. The Corporation has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

18. Comparative amounts

Certain comparatives amounts have been reclassified to conform with the changes adopted in the current year.