

EUREKA RESOURCES, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
OCTOBER 31, 2009 AND 2008

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Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of

EUREKA RESOURCES, INC.

We have audited the consolidated balance sheets of Eureka Resources, Inc. (“the Company”) as at October 31, 2009 and 2008 and the consolidated statements of operations, comprehensive 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 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 ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
February 18, 2010

CHANG LEE LLP

Chartered Accountants

EUREKA RESOURCES, INC.

Consolidated Balance Sheets

As at October 31,

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 71,061	\$ 147,217
Other receivable	330	824
Prepaid expenses	2,243	2,243
	<u>73,634</u>	150,284
Reclamation Bond (Note 5)	5,547	5,433
Mineral Properties (Note 4)	<u>606,119</u>	564,119
	\$ <u>685,300</u>	\$ <u>719,836</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 14,468	\$ 12,368
Due to related parties (Note 10 (a))	300	135,073
	<u>14,768</u>	147,441
SHAREHOLDERS' EQUITY		
Share Capital (Note 6b)		
<i>Authorized: 100,000,000 common shares without par value</i>		
<i>Issued and outstanding: 15,416,913 (2008 – 14,513,095)</i>		
<i>common shares</i>	5,251,043	5,115,470
Contributed Surplus (Note 6d)	402,848	400,541
Deficit	<u>(4,983,359)</u>	<u>(4,943,616)</u>
	<u>670,532</u>	572,395
	\$ <u>685,300</u>	\$ <u>719,836</u>

Approved by the Directors:

"John J. O'Neill"

John J. O'Neill

"Lawrence B. O'Neill"

Lawrence B. O'Neill

See accompanying notes to consolidated financial statements.

EUREKA RESOURCES, INC.

Consolidated Statements of Operations, Comprehensive Loss and Deficit
For the Years Ended October 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
EXPENSES		
Administration	\$ 12,283	\$ 37,332
Audit & accounting fees	25,048	23,400
Directors' fees	1,000	1,000
Filing fees	10,573	11,431
Insurance	3,400	3,250
Interest expense (Note 10)	2,307	5,398
Legal fees	17,573	29,101
Management fees	12,840	-
Transfer agent	4,833	5,789
Stock based compensation	-	373,182
Recovery of mineral property costs previously written off (Note 4 (b))	<u>(50,000)</u>	<u>(49,938)</u>
Net loss before other items	(39,857)	(439,945)
Interest income	<u>114</u>	<u>70</u>
Net Loss and Comprehensive Loss for the Year	(39,743)	(439,875)
Deficit – Beginning of the Year	<u>(4,943,616)</u>	<u>(4,503,741)</u>
Deficit – End of the Year	<u>\$ (4,983,359)</u>	<u>\$ (4,943,616)</u>
Basic and Fully Diluted Loss Per Share	<u>\$ (0.003)</u>	<u>\$ (0.031)</u>
Weighted Average Number of Shares Outstanding	<u>15,028,147</u>	<u>14,178,346</u>

See accompanying notes to consolidated financial statements.

EUREKA RESOURCES, INC.

Consolidated Statements of Cash Flows
For the Years Ended October 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Provided By (Used For):		
Operating Activities		
Net loss for the year	\$ (39,743)	\$ (439,875)
Adjustments for items not involving cash:		
Imputed interest	2,307	5,398
Director's fee settled by shares	500	—
Stock based compensation	—	373,182
Net changes in non-cash working capital components:		
Other receivable	494	95
Prepaid expenses	—	1,814
Accounts payable and accrued liabilities	2,100	(4,141)
	<u>(34,842)</u>	<u>(63,527)</u>
Investing Activity		
Reclamation bond	(114)	(66)
Mineral property acquisitions and exploration	(42,000)	(21,024)
	<u>(42,114)</u>	<u>(21,090)</u>
Financing Activity		
Shares issued for cash	—	162,500
Due to related parties	300	(500)
	<u>300</u>	<u>162,000</u>
Net Cash and cash equivalents Provided (Used) During the Year	(76,156)	77,383
Cash and cash equivalents – Beginning of Year	<u>147,217</u>	<u>69,834</u>
Cash and cash equivalents – End of Year	<u>\$ 71,061</u>	<u>\$ 147,217</u>
<i>Supplementary cash flow information:(See Note 11)</i>		
<i>Interest paid in cash</i>	\$ NIL	\$ NIL
<i>Income taxes paid in cash</i>	\$ NIL	\$ NIL

See accompanying notes to consolidated financial statements.

1. Nature of business and going concern:

The Company was incorporated on June 16, 1981 under the Company Act (British Columbia). The Company's principal business activities include the exploration and development of natural resource properties.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted 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 rather than through a process of forced liquidation. At October 31, 2009, the Company had working capital of \$58,866 (2008 - \$2,843) and the Company has incurred a net loss of \$39,743 for the year ended October 31, 2009 (2008 - \$439,875). The ability of the Company to meet its liabilities as they come due and to continue as a going concern is dependent upon the continuing support of its shareholders, and its ability to raise equity financing to complete the exploration and development of its mineral properties and, ultimately, the attainment of profitable operations, which cannot be predicted at this time. These statements do not reflect adjustments to carrying values and classifications of the assets and liabilities that might be necessary should the Company be unable to continue realizing its assets and discharging its liabilities in the normal course of business.

The Company is in the process of exploring its mineral properties and has not yet determined the existence of economically recoverable ore reserves. The recoverability of the amounts shown as mineral properties is dependent upon the existence of economically recoverable ore reserves, confirmation of the Company's interest in the underlying claims, the ability of the Company to obtain necessary financing to complete the development and the attainment of profitable production from the properties or from the proceeds of their disposal.

2. Significant Accounting Policies

(a) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Hawthorne Gold Inc. All significant inter-company accounts and transactions have been eliminated.

(b) 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates. Areas requiring significant management estimates include assumptions and estimates related but not limited to the determination of impairment of mineral properties, valuation allowances for future income tax assets and liabilities and fair value of stock-based payments.

(c) Mineral interests

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition, exploration and development are capitalized by project. The amounts shown as mineral interests represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and depreciated on the unit-of-production method based upon estimated recoverable proven and probable reserves.

2. Significant Accounting Policies, *continued*

(c) Mineral interests, *continued*

In the event that reserves are determined, the carrying values of mineral interests, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized for the mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term, which could adversely affect management's estimates and may result in future write downs of capitalized property carrying values.

Ownership in mineral interests involves certain inherent risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests are in good standing.

(d) Financial Instruments

CICA Handbook Section 3855, 3862 and 3863 set out criteria for the recognition, measurement, disclosure and presentation of financial instruments. These standards require all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered and most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income.

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

The Company classifies its cash and cash equivalents as held-for-trading and accounts payable and accrued liabilities as other financial liabilities. The fair value of cash and cash equivalents and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments. Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from the markets. See also Note 7.

(e) Long-lived Assets Impairment

Long-lived assets of the Company are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

2. Significant Accounting Policies, *continued*

(f) Asset Retirement Obligations

The Company recognizes the fair value of liabilities for asset retirement obligations on its mineral exploration activities in the period in which they incur and/or in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is also adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As at October 31, 2009 the Company does not have any asset retirement obligations.

(g) Comprehensive Income

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until the period that the related asset or liability affects income. For the years ended October 31, 2009 and 2008, the Company did not have other comprehensive income or loss, therefore the comprehensive loss for the period is equal to the net loss for the year.

(h) Stock Based Compensation

The Company adopted the recommendations of the CICA with respect to the recognition, measurement, and disclosure of stock-based compensation and other stock based payments. Under this policy the Company values all stock-based compensation granted at the fair value as determined using the Black-Scholes option valuation model. The compensation cost is expensed over the vesting period with a corresponding credit to contributed surplus. Consideration paid on the exercise of stock options plus the amount of previously recognized expense is credited to share capital when the options are exercised.

(i) Loss per Share

Loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options are used to repurchase common shares at the prevailing market rate. As the Company incurred net losses in the current period the stock options, as disclosed in Note 6 (c), are not included in the computation of loss per share as its inclusion would be anti-dilutive.

(j) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(k) Capital Management

The standard requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital. The Company does not expect the impact of this section on the financial statements to be significant. The impact of this section is disclosed in Note 8 of these financial statements.

3. Changes in Accounting Policies and Recent Accounting Pronouncements

Section 1400, General Standards of Financial Statement Presentation

In June 2007, the CICA amended Section 1400 to include 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 mandatory effective date is for annual and interim financial statements for years beginning on or after January 1, 2008. This new requirement was adopted by the Company effective November 1, 2008. The adoption of this Section did not have an impact on the financial statements other than disclosure in the notes to the financial statements in Note 1.

EIC – 173, Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009, the Emerging Issues Committee ("EIC") issued EIC -173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. This new standard is effective for the Company's annual consolidated financial statements for the year ended October 31, 2009. The Company has performed an assessment as of October 31, 2009 and believes there to be no impact on its financial statements.

EIC – 174, Mining Exploration Costs

On March 27, 2009, the CICA approved EIC-174 "Mining Exploration Costs." This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. This new standard is effective for the Company's annual consolidated financial statements for the year ended October 31, 2009. The accounting treatment provided for in EIC-174 has been applied in the preparation of these financial statements and did not have an impact on the valuation of the Company's mineral properties.

New Accounting Standards Not Yet Adopted

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board (ACSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS on the Company's financial statements cannot be reasonably estimated at this time.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. This standard will impact the Corporation's financial statements if the Corporation enters into business acquisition in the future.

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replace Section 1600 "Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations". The adoption of these standards is not expected to have any material impact on the Corporation's financial statements except that the Corporation enters into business acquisition in the future.

EUREKA RESOURCES, INC.
Notes to Consolidated Financial Statements
For the Years Ended October 31, 2009 and 2008

4. Mineral Properties

Cariboo Mining Division, British Columbia, Canada

	<u>Lottie Lake</u>	<u>Frasergold</u>	<u>Total</u>
Balance, October 31, 2007	543,095	—	543,095
Acquisition	—	—	—
Exploration	21,024	—	21,024
Balance, October 31, 2008	\$ 564,119	\$ —	\$ 564,119
Acquisition	—	—	—
Exploration	42,000	—	42,000
Balance, October 31, 2009	\$ 606,119	\$ —	\$ 606,119

The following is a summary of cost recoveries and deferred exploration costs incurred during the current year:

	Fees & Taxes	Assays & Analysis	Supplies and Misc.	Total
Lottie Lake	\$ 42,000	\$ —	\$ —	\$ 42,000
Frasergold	—	—	—	—
Total	\$ 42,000	\$ —	\$ —	\$ 42,000

(a) Lottie Lake Project:

By agreements dated November 29, 1997 (as amended) and April 16, 1999 (as amended) the Company acquired options to purchase a 100% interest in a total of 20 claims, which form part of the Lottie Lake Project area. By an amending letter agreement dated January 24, 2003, the Company acquired 100% ownership of the claims by paying \$5,000 and issuing 250,000 common shares. The claims are subject to a 1% net smelter return royalty. The Company can purchase one-half of the 1% net smelter return royalty for \$750,000.

In 2001 the Company staked 24 units contiguous to the Lottie Lake Project and completed the required assessment work to maintain good standing to January 2007. The Company subsequently abandoned a number of claims in the Lottie Lake Property, in order to focus on the best areas of potential for discoveries. As a result, the property now consists of eleven mineral claims.

(b) Frasergold Project:

The Company holds a 100% interest in 18 claims underlying the Frasergold Project area.

- (i) Under the terms of the option agreement, which the Company's interest in the claims was originally acquired, the Company must issue 200,000 shares to the original owners upon completion of a positive feasibility study.
- (ii) The Company must issue 210,000 shares to a related party (a director) in consideration for exploration work done on the property, as follows:

Upon completion of feasibility study recommending production	70,000
Upon commencement of production	70,000
Upon repayment of pre-production capital costs	70,000

EUREKA RESOURCES, INC.
Notes to Consolidated Financial Statements
For the Years Ended October 31, 2009 and 2008

4. Mineral Properties, *continued*

(b) Frasergold Project, continued

Based upon exploration work completed to 1998, the Company determined the Frasergold Project was not economic at then-current gold prices. The Frasergold Project was written down to a nominal carrying value during 1998.

During the year ended October 31, 2003, the Company re-commenced exploration work on the Frasergold Project, based on improved economic conditions. It is the Company's intention to continue with exploration on the Frasergold Project. Exploration expenditures incurred since fiscal 2003 have been deferred.

During the 2006 fiscal year, The Company signed an arm's-length option agreement with Hawthorne Gold Corp. ("Hawthorne), a B.C. Company unrelated to the Company, whereby Hawthorne may earn a 51-percent interest in the property by expending \$3.5-million on the exploration of the property, making payments totaling \$175,000 to the Company and completing a feasibility study on or before April 30, 2010. Hawthorne can earn an additional 9-per-cent interest in the property by arranging production financing on completion of a feasibility study. A joint venture will be formed upon Hawthorne earning its interest and during the earn-in phase an advisory committee will be established. Hawthorne is a private British Columbia mineral exploration corporation.

To date, the Company has received \$175,000 which was recorded as a recovery of mineral property costs.

5. Reclamation Bond

Reclamation bonds represent term deposits which have been pledged to the Province of British Columbia as security for reclamation obligations pursuant to the mining regulations of British Columbia.

6. Share Capital

(a) Authorized: unlimited number of common shares without par value.

(b) Issued and outstanding common shares:

	Number of Shares	Amount
Balance, October 31, 2007	13,302,640	\$ 4,467,344
Shares issued for payment of Promissory Notes and accrued interest at a deemed price of \$0.59	311,898	184,020
Shares issued for payment of Promissory Notes and accrued interest at a deemed price of \$0.80	248,557	198,846
Shares issued pursuant to the exercise of stock options at \$0.25 per share including \$102,760 contributed surplus attributed to stock-based compensation recognized in previous years	650,000	265,260
Balance, October 31, 2008	14,513,095	\$ 5,115,470
Shares issued for payment debt payable to related parties at a deemed price of \$0.15 per share	903,818	135,573
Balance, October 31, 2009	15,416,913	\$ 5,251,043

EUREKA RESOURCES, INC.
Notes to Consolidated Financial Statements
For the Years Ended October 31, 2009 and 2008

6. Share Capital, *continued*

(c) Stock options:

The Company adopted a stock option plan in April 2003 and amended in 2008. Under the Stock Option Plan, the Company may grant stock options to its officers, directors, employees and consultants up to a maximum of 10% of the issued and outstanding shares may be purchased. Exchange policies permit the Company's directors to grant incentive stock options for the purchase of shares of the Company to persons in consideration for services. The exercise price of stock options is determined by the board of directors of the Company at the time of grant, based on the quoted market price of the Company's shares on the Exchange.

A summary of the status of the Company's stock option plan as of October 31, 2009 and 2008, and changes during the years are presented below:

	Shares	Weighted Average Exercise Price
Options outstanding and exercisable October 31, 2007	750,000	\$0.28
Granted	950,000	\$0.46
Exercised	(650,000)	\$0.25
Options outstanding and exercisable October 31, 2008	1,050,000	\$0.46
Expired	(100,000)	\$0.50
Options outstanding and exercisable October 31, 2009	950,000	\$0.46

In August 2007, the Company's Board of Directors approved and granted 100,000 stock options to directors of the Company with an exercise price of \$0.50 per share. The options vested in full at the date of the grant. Each option entitles the optionee to acquire one share of the Company. These options expired on August 16, 2009. During 2006, the Company's Board of Directors approved and granted 650,000 stock options to directors of the Company with an exercise price of \$0.25 per share expiring on June 8, 2008. The options vested in full at the date of the grant. Each option entitled the optionee to acquire one share of the Company. During the year ended October 31, 2008, all 650,000 options were exercised. On April 25, 2008 an additional 950,000 stock options were granted to directors of the Company with an exercise price of \$0.46, expiring on April 25, 2013.

The fair values of the stock options granted during the year ended October 31, 2008 were estimated using the Black-Scholes option pricing model with the following assumptions and results.

	2008
Risk-free interest rate	3.20%
Dividend yield	0%
Expected volatility	126%
Expected term	5 years

(d) Contributed surplus

The following table sets forth the continuity of contributed surplus for the years then ended:

	2009	2008
Balance, beginning of year	\$ 400,541	\$ 124,721
Stock based compensation expense during the year	-	373,182
Stock based compensation reallocated for stock options exercised during the year	-	(102,760)
Imputed interest on shareholder loan	2,307	5,398
Balance, end of year	\$ 402,848	\$ 400,541

7. Financial Instruments

EUREKA RESOURCES, INC.
Notes to Consolidated Financial Statements
For the Years Ended October 31, 2009 and 2008

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents which are held in large Canadian financial institutions. The Company believes this credit risk is insignificant.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2009, the Company had a cash and cash equivalents balance of \$71,061 (2008 - \$147,217) to settle current liabilities of \$14,768 (2008 - \$147,441). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company believes it has no significant interest rate risk

(b) Foreign currency risk

As at October 31, 2009, the company's expenditures are in Canadian dollars, any future equity raised is expected to be predominantly in Canadian dollars. The Company believes it has no significant foreign currency risk

8. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders.

In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents and current liabilities.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash.

The Company does not have any major capital expenditures committed for the coming year.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met.

9. Income Taxes

The Company's provision for income taxes differs from the amounts computed by applying the statutory income tax rates to the loss as a result of the following:

	2009	2008
Statutory income tax rate	30%	31.50%
Recovery of income taxes at statutory rates	26,000	36,000
Tax benefit not recognized on current year's losses	(26,000)	(36,000)
	\$ -	\$ -

EUREKA RESOURCES, INC.
Notes to Consolidated Financial Statements
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9. Income Taxes, *continued*

Due to the uncertainty of realization, the Company has not recorded any benefit in these consolidated financial statements from net losses and current exploration and development deductions carried forward in the Canadian corporate income tax returns. The future tax benefits not recognized in the consolidated financial statements at current statutory rates on these items are approximately:

	2009	2008
Future income tax assets not recognized:		
Non-capital losses carried forward	\$ 134,000	\$ 124,000
Capital losses carried forward	1,000	1,000
Canadian and foreign depletion, exploration and development expenses	886,000	932,000
Other	10,000	11,000
Less: Valuation allowance	(1,031,000)	(1,068,000)
Net future income tax assets not recognized	\$ -	\$ -

The Company has non-capital losses carried forward of approximately \$447,000 (2008 - \$393,000) that are available for tax purposes. The losses expire as follows:

2014	\$ 2,000
2015	\$ 54,000
2026	\$ 68,000
2027	\$ 121,000
2028	\$ 116,000
2029	\$ 86,000

The Company has resource pools of approximately \$2,952,000 (2008 - \$2,960,000) available to offset future taxable income. The tax benefit of these amounts is available for carried forward indefinitely or until there is change in ownership control.

The Company has U.S. net operating loss of approximately US \$68,500, which will expire commencing 2012 through 2029. The use of U.S. loss carry forwards will be limited in any given year as a result of previous changes in ownership of the Company.

10. Related Party Transactions

- (a) The amounts due to related parties, which are non-interest bearing, unsecured and due on demand, are comprised of the following:

	October 31, 2009	October 31, 2008
Due to a director	\$ 300	\$ 14,600
Due to a company controlled by a director	—	120,473
	\$ 300	\$ 135,073

Imputed interest of \$2,307 on the shareholders' loans has been calculated and included in contributed surplus.

EUREKA RESOURCES, INC.
Notes to Consolidated Financial Statements
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10. Related Party Transactions, *continued*

- (b) During the year ended October 31, 2009, the Company paid directors' fees totaling \$1,000 (2008 - \$1,000), paid or accrued \$3,807 (2008 - \$5,181) for legal fees to a firm which a partner is a director of the Company, paid or accrued \$12,840 (2008 - \$5,000) to a director for consulting services, and paid or accrued \$1,625 (2008 - \$1,700) for consulting fees and \$nil (2008 - \$5,990) for advertising and promotion, respectively, to an individual who is related to the CEO of the Company.
- (c) As at October 31, 2009, accounts payable includes \$4,368 (2008 - \$4,008) payable to a legal firm of which a partner is a director and \$522 (2008 - \$nil) to an individual who is related to the CEO of the Company.
- (d) During the year ended October 31, 2009, the Company paid accounting fees of \$16,098 (2008 - \$14,800) to a company that is related to the CFO of the Company.

During the year, the Company issued a total of 903,818 common shares of the Company, at the price of \$0.15 per share, in satisfaction of amounts due to related parties.

11. Supplemental Disclosure with Respect to Cash Flows

Significant non-cash transactions for the year ended October 31, 2009 included \$2,307 imputed interest calculated on the non-interest bearing shareholder loans; and 903,818 common shares issued for payment of \$135,573 due to related parties.

Significant non-cash transactions for the year ended October 31, 2008 included 560,455 common shares issued for payment of promissory notes; and \$5,398 imputed interest calculated on the non-interest bearing shareholder loans.

12. Subsequent events

Subsequent to October 31, 2009, the Company:

- Granted stock options to directors and officers of the Company to purchase a total of 145,000, each at an exercise price of \$0.20 per share for a two-year period, pursuant to the Company's stock option plan;
- Entered into a month to month agreement with a related party whereby office space, parking and office services will be provided to the Company for a rate of \$1,489 per month.