

PLAYFAIR MINING LTD.

FINANCIAL STATEMENTS

FEBRUARY 28, 2009

AUDITORS' REPORT

To the Shareholders of
Playfair Mining Ltd.

We have audited the balance sheets of Playfair Mining Ltd. as at February 28, 2009 and February 29, 2008 and the statements of operations 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 position of the Company as at February 28, 2009 and February 29, 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

June 26, 2009



PLAYFAIR MINING LTD.
BALANCE SHEETS

	February 28, 2009	February 29, 2008
ASSETS		
Current		
Cash	\$ 43,920	\$ 2,470,425
Receivables	<u>47,000</u>	<u>432,478</u>
	90,920	2,902,903
Equipment (Note 3)	3,090	4,009
Mineral properties (Note 5)	<u>9,808,102</u>	<u>6,004,824</u>
	<u>\$ 9,902,112</u>	<u>\$ 8,911,736</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 775,442	\$ 321,246
Future income tax liability (Note 8)	<u>161,295</u>	<u>56,632</u>
	<u>936,737</u>	<u>377,878</u>
Shareholders' equity		
Capital stock (Note 6)	20,197,940	19,495,117
Subscriptions received in advance (Note 12)	95,000	-
Contributed surplus (Note 6)	2,249,339	2,243,249
Deficit	<u>(13,576,904)</u>	<u>(13,204,508)</u>
	<u>8,965,375</u>	<u>8,533,858</u>
	<u>\$ 9,902,112</u>	<u>\$ 8,911,736</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 12)

On behalf of the Board:

“Donald G. Moore”

Director

“D. Neil Briggs”

Director

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

PLAYFAIR MINING LTD.
STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS, AND DEFICIT

	February 28, 2009	February 29, 2008
EXPENSES		
Amortization	\$ 919	\$ 1,212
Filing fees	13,055	17,353
Investor relations	52,560	31,384
Management fees	45,000	94,288
Office and miscellaneous	118,077	169,067
Professional fees	55,566	76,366
Rent	31,477	29,381
Shareholder communications	127,026	77,903
Stock-based compensation (Note 6)	6,090	947,732
Telephone	10,284	9,930
Transfer agent and regulatory fees	11,197	14,253
Travel and trade shows	<u>78,679</u>	<u>161,548</u>
Loss before other items and income taxes	<u>(549,930)</u>	<u>(1,630,417)</u>
OTHER ITEMS		
Interest income	6,656	77,895
Write-off of long-term investment (Note 4)	-	(69)
Write-off of mineral properties (Note 5)	<u>(64,453)</u>	<u>-</u>
	<u>(57,797)</u>	<u>77,826</u>
Loss before income taxes	(607,727)	(1,552,591)
Future income tax recovery (Note 8)	<u>235,331</u>	<u>953,858</u>
Loss and comprehensive loss for the year	(372,396)	(598,733)
Deficit, beginning of year	<u>(13,204,508)</u>	<u>(12,605,775)</u>
Deficit, end of year	<u>\$(13,576,904)</u>	<u>\$(13,204,508)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>55,494,688</u>	<u>48,236,747</u>

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

PLAYFAIR MINING LTD.
STATEMENTS OF CASH FLOWS

	February 28, 2009	February 29, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (372,396)	\$ (598,733)
Items not affecting cash:		
Amortization	919	1,212
Stock-based compensation	6,090	947,732
Future income tax recovery	(235,331)	(953,858)
Write-off of long-term investment	-	69
Write-off of mineral properties	64,453	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	540,823	(332,026)
Increase in accounts payable and accrued liabilities	<u>116,214</u>	<u>1,153</u>
Net cash provided by (used in) operating activities	<u>120,772</u>	<u>(934,451)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral properties	<u>(3,686,562)</u>	<u>(1,531,570)</u>
Net cash used in investing activities	<u>(3,686,562)</u>	<u>(1,531,570)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	1,073,670	3,231,498
Share issuance costs	(29,385)	(265,147)
Subscriptions received in advance	<u>95,000</u>	<u>-</u>
Net cash provided by financing activities	<u>1,139,285</u>	<u>2,966,351</u>
Change in cash during the year	(2,426,505)	500,330
Cash, beginning of year	<u>2,470,425</u>	<u>1,970,095</u>
Cash, end of year	<u>\$ 43,920</u>	<u>\$ 2,470,425</u>

Supplemental disclosure with respect to cash flows (Note 9)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Playfair Mining Ltd. (the “Company”) is an exploration stage company incorporated under the laws of the Province of British Columbia.

The Company is in the process of acquiring and exploring its mineral properties in Canada and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

Current market conditions make the present environment for raising additional equity financing unfavourable. An inability to raise additional financing may impact the future assessment of the Company as a going concern. See Note 10 for further disclosure regarding liquidity risk.

2. SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in accordance 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 year. Actual results could differ from those estimates. Significant accounts that require estimates relate to the impairment of mineral property interests, estimated useful lives for equipment, valuation of future income taxes, stock based compensation and valuation of warrants in private placements.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at the following annual rates:

Office equipment	20%
Computer equipment	30%

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral properties

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

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company does not have any significant asset retirement obligations.

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes the fair value of compensation costs for the granting of all stock options and direct awards of stock over the vesting period. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Income taxes

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders. When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of future income taxes in the statement of operations.

Government grants

The Company periodically receives financial assistance under government incentive programs. Government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of shares outstanding during the year.

Financial instruments

Financial instruments are required to be classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value and changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired. There were no transitional adjustments as a result of the application of the financial instrument accounting policies. Company has implemented the following classifications for its financial instruments:

a) Cash has been classified as held-for-trading.

b) Receivables have been classified as loans and receivables and measured at amortized cost.

c) Accounts payable and accrued liabilities have been classified as other financial liabilities and are measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Comprehensive income

Comprehensive income is defined as the change in equity (net assets) from transactions and other events from non owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale.

Financing charges

Financing charges that reflect the cost to obtain new debt financing are expensed as incurred. Financing charges that reflect the cost to obtain new equity financing are deducted from shareholders' equity.

Changes in accounting policies

On March 1, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections. The adoption of these new pronouncements did not effect the Company's financial position or results of operation. The new standards and accounting policy changes are as follows:

Section 1400 – Assessing going concern

CICA Handbook Section 1400 was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern (Note 1).

Section 3862 – Financial instruments – disclosures

This Section requires the Company to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Disclosures required by this standard are included in Note 10.

Section 3863 – Financial instruments – presentation

This Section was issued to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The initial adoption of this standard did not have an effect on the financial statements.

Section 1535 – Capital disclosures

This Section requires the disclosure of qualitative and quantitative information that enables the users to evaluate the Company's objectives, policies and processes for managing capital as well as the implications of non-compliance (Note 11).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New accounting standards

Goodwill and intangible assets

The CICA issued a new accounting standard, Section 3064 “Goodwill and Intangible Assets” which will replace the existing Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This standard is effective for the Company’s interim and annual financial statements commencing March 1, 2009. The adoption of this standard is not expected to have a material impact on the Company’s financial statements.

Business combinations, non-controlling interest and consolidated financial statements

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests” which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of financial statements. Section 1601 is applicable for the Company’s interim and annual financial statements for its fiscal year beginning March 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

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 interim and annual financial statements commencing March 1, 2009. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

International financial reporting standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of March 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

PLAYFAIR MINING LTD.
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2009

3. EQUIPMENT

	February 28, 2009			February 29, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office	\$ 26,089	\$ 23,822	\$ 2,267	\$ 26,089	\$ 23,255	\$ 2,834
Computer	33,173	32,350	823	33,173	31,998	1,175
	<u>\$ 59,262</u>	<u>\$ 56,172</u>	<u>\$ 3,090</u>	<u>\$ 59,262</u>	<u>\$ 55,253</u>	<u>\$ 4,009</u>

4. LONG-TERM INVESTMENT

During fiscal 2005, the Company acquired a partnership interest in a limited partnership for a capital contribution of \$69. During fiscal 2009, the Company received distributions of \$Nil (2008 - \$Nil). The Company does not expect to receive any additional distributions from the investment and consequently recorded an impairment of \$69 during fiscal 2008.

5. MINERAL PROPERTIES

	Gregory River	Grey River	Granite Lake	Risby, Lened, Clea Properties	February 28, 2009
Acquisition costs:					
Balance, beginning of year	\$ 61,000	\$ 313,330	\$ 172,740	\$ 1,939,377	\$ 2,486,447
Additions	-	-	4,860	-	4,860
Write-off	-	-	(24,360)	-	(24,360)
Balance, end of year	<u>61,000</u>	<u>313,330</u>	<u>153,240</u>	<u>1,939,377</u>	<u>2,466,947</u>
Exploration costs:					
Balance, beginning of year	<u>352,124</u>	<u>1,048,661</u>	<u>1,216,526</u>	<u>901,066</u>	<u>3,518,377</u>
Advance royalty payment	-	-	-	50,000	50,000
Assaying	3,176	26,705	887	14,972	45,740
Drilling	-	448,563	297,130	284,903	1,030,596
Field expenditures	80,382	445,056	305,100	1,627,065	2,457,603
Geological consulting	-	49,800	18,825	33,578	102,203
Metallurgy and geophysics	-	18,796	95,783	-	114,579
Reports	17,499	(17,159)	546	-	886
Travel	-	44,954	-	16,310	61,264
	<u>101,057</u>	<u>1,016,715</u>	<u>718,271</u>	<u>2,026,828</u>	<u>3,862,871</u>
Write-off	-	-	(40,093)	-	(40,093)
Balance, end of year	<u>453,181</u>	<u>2,065,376</u>	<u>1,894,704</u>	<u>2,927,894</u>	<u>7,341,155</u>
Balance, February 28, 2009	\$ 514,181	\$ 2,378,706	\$ 2,047,944	\$ 4,867,271	\$ 9,808,102

PLAYFAIR MINING LTD.
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2009

5. MINERAL PROPERTIES (cont'd...)

	Gregory River	Grey River	Granite Lake	Risby, Lened, Clea Properties	February 29, 2008
Acquisition costs:					
Balance, beginning of year	\$ 61,000	\$ 313,330	\$ 108,960	\$ 1,835,792	\$ 2,319,082
Additions	<u>-</u>	<u>-</u>	<u>63,780</u>	<u>103,585</u>	<u>167,365</u>
Balance, end of year	<u>61,000</u>	<u>313,330</u>	<u>172,740</u>	<u>1,939,377</u>	<u>2,486,477</u>
Exploration costs:					
Balance, beginning of year	<u>308,994</u>	<u>754,379</u>	<u>86,980</u>	<u>783,985</u>	<u>1,934,338</u>
Assaying	-	52	97,095	2,304	99,451
Drilling	25,973	-	618,685	-	644,658
Field expenditures	10,690	86,444	304,669	40,301	442,104
Geological consulting	6,467	104,094	87,071	72,472	270,104
Metallurgy and geophysics	-	-	19,472	-	19,472
Reports	-	97,532	2,554	-	100,086
Travel	<u>-</u>	<u>6,160</u>	<u>-</u>	<u>2,004</u>	<u>8,164</u>
	<u>43,130</u>	<u>294,282</u>	<u>1,129,546</u>	<u>117,081</u>	<u>1,584,039</u>
Balance, end of year	<u>352,124</u>	<u>1,048,661</u>	<u>1,216,526</u>	<u>901,066</u>	<u>3,518,377</u>
Balance, February 29, 2008	\$ 413,124	\$ 1,361,991	\$ 1,389,266	\$ 2,840,443	\$ 6,004,824

Title to mineral properties

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

Gregory River property, Canada

The Company acquired a 100% interest in the Gregory River property located in Newfoundland, Canada in consideration for paying \$10,000 and issuing 1,700,000 common shares valued at \$51,000. The property is subject to a 4% net smelter returns royalty ("NSR"), 2% of which may be purchased by the Company for up to \$2,000,000.

5. MINERAL PROPERTIES (cont'd...)

Grey River property, Canada

The Company acquired a 100% interest in the Grey River property located in southern Newfoundland, Canada in consideration for paying \$10,000 and issuing 2,300,000 common shares valued at \$299,000. The property is subject to a 4% NSR of which up to 2% may be purchased by the Company for up to \$2,000,000. The Company also acquired a 100% interest in certain claims in the Grey River area via staking at a cost of \$4,330.

Granite Lake property, Canada

The Company acquired a 100% interest in certain claims in the Granite Lake area in Newfoundland, Canada, via staking at a cost of \$9,960 and a 100% interest in certain additional mineral claims during fiscal 2008 at a cost of \$63,780.

The Company also acquired a 100% interest in certain additional claims pursuant to which the Company issued 100,000 shares valued at \$99,000. To acquire its interest, the Company incurred exploration expenditures of \$50,000. The claim was acquired from a company with a common director. The property is subject to either a 3% NSR or 35% participating interest in the property which can be purchased back from the Company by paying 65% of the Company's expenditures.

During fiscal 2009 the Company also acquired a 100% interest in certain claims via staking at a cost of \$4,860. The Company also abandoned certain claims and wrote-off acquisition and exploration costs of \$64,453 to operations.

Risby, Lened, Clea properties, Canada

During fiscal 2007 the Company acquired a 100% interest in the Risby, Lened and Clea properties located in the Yukon and Northwest territories in consideration for \$125,000, 1,500,000 common shares of the Company valued at \$1,530,000 to the vendor and 161,363 common shares as a finder's fee valued at \$164,590.

During fiscal 2008 the Company also acquired a 100% interest in certain claims via staking at a cost of \$3,585.

The property is subject to a 3% NSR. Until such time as the royalty is paid, or the Company terminates the option agreement, the Company will pay an annual amount of \$50,000 toward the royalty of which the Company paid \$50,000 during 2009 (2008 - \$100,000). The Company may at any time purchase 0.5% of the NSR for \$500,000.

PLAYFAIR MINING LTD.
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2009

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued and outstanding			
As at February 28, 2007	44,256,919	\$ 17,572,404	\$ 1,262,369
Private placement	4,999,996	2,999,998	-
Share issue costs	-	(522,201)	257,054
Tax benefits renounced to flow through share subscribers	-	(1,010,490)	-
Stock options exercised	675,000	455,406	(223,906)
Stock-based compensation	-	-	947,732
As at February 29, 2008	49,931,915	19,495,117	2,243,249
Private placement	10,051,546	1,105,670	-
Share issue costs	-	(62,853)	-
Tax benefits renounced to flow through share subscribers	-	(339,994)	-
Stock-based compensation	-	-	6,090
As at February 28, 2009	59,983,461	\$ 20,197,940	\$ 2,249,339

Included in receivables are subscriptions of \$32,000 which were received subsequent to year end.

Private placements

During fiscal 2009, the Company issued 10,051,546 flow-through common shares at \$0.11 per share for proceeds of \$1,105,670. The Company paid finders' fees and other share issuance costs of \$62,853.

During fiscal 2008, the Company issued 4,999,996 flow-through common shares at \$0.60 for proceeds of \$2,999,998. The Company paid finders' fees and other share issuance costs of \$265,147 and issued 491,666 warrants valued at \$257,054 as finders' fees. Each warrant is exercisable into one common share of the Company at a price of \$0.60 per share expiring in June 2009. The fair value of these agent warrants was estimated using the *Black-Scholes Option Pricing Model* with the following assumptions: risk-free interest rate of 4.7%; dividend yield 0%; volatility of 122%; and expected life of two years.

PLAYFAIR MINING LTD.
NOTES TO THE FINANCIAL STATEMENTS
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6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options and warrants

Stock option and warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, February 28, 2007	-	\$ -	4,385,000	\$ 0.32
Granted	491,666	0.60	1,680,000	0.68
Exercised	-	-	(675,000)	0.34
Cancelled / expired	-	-	(400,000)	0.30
Outstanding, February 29, 2008	491,666	0.60	4,990,000	0.44
Cancelled / expired	-	-	(300,000)	0.42
Outstanding, February 28, 2009	491,666	\$ 0.60	4,690,000	\$ 0.44
Number currently exercisable	491,666	\$ 0.60	4,690,000	\$ 0.44

The following incentive stock options and warrants were outstanding at February 28, 2009:

	Number of Shares	Exercise Price	Expiry Date
Options	400,000	\$ 0.75	September 6, 2009
	175,000	0.66	October 31, 2009
	100,000	0.66	December 31, 2009
	2,560,000	0.30	January 19, 2011
	450,000	0.37	August 11, 2011
	1,005,000	0.66	October 31, 2012
Warrants	291,666	\$ 0.60	June 12, 2009
	200,000	0.60	June 26, 2009

Subsequent to February 28, 2009, 3,310,000 options were cancelled and 291,666 warrants expired unexercised.

PLAYFAIR MINING LTD.
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6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock-based compensation

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years with vesting determined by the board of directors.

During fiscal 2009, the Company granted \$Nil (2008 – 1,680,000) options with a weighted-average fair value of \$Nil per option (2008 - \$0.54) to directors and consultants. Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value in the statement of operations. Total stock-based compensation recognized in the statement of operations during fiscal 2009 was \$6,090 (2008 – \$947,732) for incentive options granted and vested. This amount was also recorded as contributed surplus on the balance sheet.

The following weighted average assumptions were used for the valuation of stock options:

	February 28, 2009	February 29, 2008
Risk-free interest rate	2.94%	4.15 %
Expected life of options	1.38 years	3.9 years
Annualized volatility	100.98%	139.17 %
Dividend rate	0.00%	0.00 %

7. RELATED PARTY TRANSACTIONS

During the year ended February 28, 2009, the Company entered into the following transactions with related parties not disclosed elsewhere in the financial statements:

- a) Paid or accrued management fees of \$45,000 (2008 - \$94,288) to a company controlled by a former officer of the Company.
- b) Paid or accrued professional fees and share issuance costs of \$17,214 (2008 - \$25,749) to a law firm in which a director is a partner.

Included in receivables at February 28, 2009 is \$Nil (February 29, 2008 - \$248,375) due from a Company controlled by the spouse of a director of the Company.

Included in accounts payable at February 28, 2009 is \$9,620 (February 29, 2008 - \$13,507) due to a law firm in which a director is a partner and \$53,552 (February 29, 2008 - \$Nil) due to a company controlled by a former officer of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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8. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	February 28, 2009	February 29, 2008
Loss before income taxes	\$ (607,727)	\$ (1,552,591)
Expected income tax recovery	\$ 186,876	\$ 522,959
Stock-based compensation	(1,873)	(319,224)
Tax deductible resource expenditures	-	(132,343)
Other items	9,782	36,043
Recognized benefits of non-capital losses	<u>40,546</u>	<u>846,423</u>
Total future income tax recovery	\$ 235,331	\$ 953,858

The significant components of the Company's future income tax assets (liabilities) are as follows:

	February 28, 2009	February 29, 2008
Future income tax assets (liabilities):		
Mineral property and related exploration expenditures	\$ (473,622)	\$ (237,413)
Non-capital losses available for future periods	238,086	82,930
Equipment	8,403	8,500
Share issue costs	<u>65,838</u>	<u>89,351</u>
Net future income tax liability	\$ (161,295)	\$ (56,632)

The Company has approximately \$950,000 in non-capital losses, which may be carried forward and applied against income in future years. These losses, if not utilized, expire through 2029. Subject to certain restrictions, the Company has resource exploration expenditures and other tax assets available to reduce taxable income of future years. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

During fiscal 2009, the Company issued 10,051,046 (2008 - 4,999,996) common shares on a flow-through basis for gross proceeds of \$1,105,670 (2008 - \$2,999,998). The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. The Company renounced exploration expenditures resulting in a future income tax recovery and a charge to capital stock of \$339,994 (2008 - \$1,010,490).

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	February 28, 2009	February 29, 2008
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

The significant non-cash transactions for fiscal 2009 consisted of the Company:

- a) incurring mineral property exploration costs of \$411,133 through accounts payable
- b) incurring finders' fees of \$33,468 through accounts payable

The significant non-cash transactions for fiscal 2008 consisted of the Company:

- a) granting 491,666 warrants valued at \$257,054 as finders' fees in relation to the private placements.
- b) incurring mineral property exploration costs of \$229,964 through accounts payable.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, receivables, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash equivalents and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because these instruments are due primarily from government agencies.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial risk factors (cont'd...)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at February 28, 2009, the Company had a cash balance of \$43,920 (February 29, 2008 - \$2,470,425) to settle current liabilities of \$775,442 (February 29, 2008 - \$321,246). To maintain liquidity, the Company is currently investigating financing opportunities. As disclosed in Note 1, current market conditions make the present environment for raising additional equity financing unfavorable and there can be no assurance these efforts will be successful in the future. All of the Company's financial liabilities 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. These fluctuations may be significant.

(a) Interest rate risk

The Company has cash balances held with financial institutions. The Company's current policy is to invest excess cash in short-term treasury bills issued by the Government of Canada and its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company is not currently exposed to significant foreign currency risk as most transactions are denominated in Canadian dollars.

(c) 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's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

11. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash and marketable securities.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. Current financial markets are very difficult and there is no certainty with the Company's ability to raise capital. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

12. SUBSEQUENT EVENTS

Subsequent to February 28, 2009 the Company:

- a) issued 10,003,900 common shares at \$0.05 per share for proceeds of \$500,195 of which \$95,000 was received prior to year end. The Company paid finders' fees of \$35,520.
- b) issued 6,000,000 common shares at \$0.05 per share for proceeds of \$300,000. The Company incurred finders' fees of \$20,840.
- c) granted 5,580,000 stock options with an exercise price of \$0.10 per common share for a period of 5 years. The Company also repriced 980,000 non-insider stock options to an exercise price of \$0.10 per common share.