HAWTHORNE GOLD CORP.

TSX–V: HGC US: HWTHF

2009 1st QUARTER REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 28, 2009

This discussion and analysis of financial position and results of operations is prepared as at April 28, 2009 and should be read in conjunction with the unaudited financial statements of Hawthorne Gold Corp. (the "Company"), for the three months ended February 28, 2009, where necessary. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Overview

The Company is engaged in the exploration and development of mineral properties in British Columbia, Canada. The Company is currently listed as a Tier One issuer on the TSX Venture Exchange under the symbol "HGC", and quoted on the Grey Sheets in the United States under the symbol "HWTHF".

Mineral Property Interests

Hawthorne currently has three gold projects located in British Columbia, Canada. The Company controls 100% of the Cassiar Gold Camp projects – Table Mountain and Taurus, and also has an option to acquire up to 60% of the Cariboo Gold Camp project – Frasergold.

Michael Petrina, P.Eng., the Company's Vice President of Mining and a Qualified Person as defined by National Instrument ("NI") 43-101, has reviewed and approved the technical information contained in this MD&A.

Cassiar Gold Property

Table Mountain, British Columbia

The Table Mountain gold mine is a high-grade underground gold operation located along the north-south provincial Highway 37 in northern British Columbia. The Table Mountain processing and support facilities consist of a 300 ton (270 tonne) per day gravity flotation mill, power plant and permitted tailing impoundment facility. The Company controls a total of 56,300 hectares around the existing property area, which has consolidated the Cassiar Gold Camp under one common ownership. In 2008, Hawthorne completed a 2,536 metre diamond drill program, a property-wide geophysical survey and reconnaissance program, general underground rehabilitation work, and the establishment of the Cassiar mining camp in preparation for the 2009 season. The Company plans to undertake a geological reconnaissance program in 2009, including an 8,000 to 10,000 metre diamond drill program, in anticipation of commencement of production in the latter part of 2009. A feasibility study has not been completed and there is no certainty the disclosed targets will be reached nor that the proposed operations will be economically viable.

Taurus, British Columbia

The Taurus deposit, an advanced stage exploration and development project, is located approximately eight kilometres from the Table Mountain gold mine along the main access road to the town of Cassiar, BC. The site of a former high grade underground gold mine, the Taurus deposit was explored by previous operators for a large scale large tonnage open pit scenario, where over 370 drill holes have been completed to date. The deposit, located within the Cassiar Gold Camp, hosts an inferred resource of 1.055 million ounces of gold consisting of 33.1 million tonnes at an average grade of 0.99 g/t Au using a cutoff grade of 0.50 g/t Au (refer to NI 43-101 technical report titled, "Updated Resource Report on the Taurus

Project – Liard Mining District, B.C.," dated March 11, 2009 and prepared by Thomas C. Stubens and Morinus Andre de Ruijter of Wardrop Engineering Incorporated, filed at www.sedar.com on March 11, 2009). The Company is actively modelling the historical and recent data of the Taurus deposit to fully evaluate the potential of the high-grade mineralized zones, and to determine the Company's action plan going forward for the project.

Frasergold, British Columbia

The Frasergold Property, optioned from Eureka Resources Inc., is located in the Cariboo Gold Camp, situated in the historic Quesnel Trough area of central British Columbia and has a long history of continued exploration since the 1970s. In 2008, Hawthorne completed a 10,405 metre diamond drill program, a soil sampling program, and a reconnaissance exploration exercise. Total drilling on the property now exceeds 50,000 metres to date, including work from 2008 and in the 1980s and 1990s. The 2008 exploration program focused on the two kilometre Main Zone, and the property remains to be tested at depth, up dip and along strike. The goal is to gain a better understanding of the size and potential of the deposit and define a NI 43-101 compliant gold resource estimate within the Main Zone. The total land position, totalling 11,293 hectares or 41 claims, consists of options agreements with Eureka Resources Inc., Dajin Resources Corp. and one private individual.

Results of Operations

Results of Operations for the three months ended February 28, 2009 and 2008

Expenses

Total operating expenses were $561,258 for the three months ended February 28, 2009, compared to $378,726 for the comparative three months, for an increase of $182,532. The Company's expenses increased in most cost categories between the periods as a result of the advancement of the Company's projects, as compared to the prior three month period when the Company had just the one primary project. During the three months ended February 28, 2009, the Company's investor relations expenses increased to $132,304 as compared to $108,473 due to the Company's efforts on providing investor awareness. The Company also incurred $150,482 in wages and benefits as compared to $30,046 in such expense in the comparative three months. The increase in wages reflects the additional management and administrative staff the Company hired between the periods. During the three months ended February 28, 2009, the Company incurred $102,744 in rent and office expenses as compared to $55,469 in such expense in the comparative three months when the Company had smaller office space and overhead.

Future income tax recovery

During the three months ended February 28, 2009, the Company recorded an income tax recovery of $3,090,707 in connection with flow trough tax deductions of $9,780,717 it renounced to investors in December 2008 as compared to no such recovery in the prior period.

Net Income/Loss

The Company recorded net income of $2,537,153 for the three months ended February 28, 2009 primarily as a result of the $3,090,707 in future income tax recoveries, compared with a net loss of $339,700 in the prior three months.

Summary of Quarterly Results

	Feb 28 2009 $	Nov 30 2008 $	Aug 31 2008 $	May 31 2008 $	Feb 29 2008 $	Nov 30 2008 $	Aug 31 2008 $	May 31 2008 $
Total revenues	-	-	-	-	-	-	-	-
Net income (loss)	2,537,153	(589,562)	(487,225)	(391,113)	(339,700)	(278,338)	(213,937)	(100,316)
Net income (loss) per share - basic and diluted	0.05	(0.01)	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)	(0.01)

The Company's expenses and net losses have increased quarter over quarter as the Company advanced its business plan of acquiring exploration and development projects. The Company expects its expenses to increase in the coming quarters as it undertakes its exploration and development plans. Excluding the future income tax recovery of $3,090,707 recorded in the three months ended February 28, 2009, the net loss would have been $553,554.

Liquidity

The Company's cash and short term investments increased to $5,598,644 and $1,600,000, respectively, at February 28, 2009 from $96,311 and $2,100,000 at November 30, 2008. The Company's working capital was $6,404,208 as at February 28, 2009, compared to $810,477 as at November 30, 2008.

During the three months ended February 28, 2009, the Company used $1,379,840 of its cash on its mineral properties as compared to $2,944,906, including $1,000,000 cash payment for the Taurus project, during the comparative period. The Company expects to incur additional expenditures on its mineral properties in the coming quarters, primarily resource development and pre-production work at Table Mountain.

The Company has funded its operations from equity financings and cash on hand during the periods. During the three ended February 28, 2009, the Company raised net proceeds of $6,786,211 from the issuance of capital as compared to $2,913,342 in the previous three month period.

Capital Resources

During the three months ended February 28, 2009, the Company closed three private placements for gross proceeds of $7,365,000. The private placements consisted of 5,397,619 flow-through shares priced at $0.21 per share and 20,771,666 units at $0.30 per share. Each unit consists of one common share and one-half of a transferable share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one common share at a price of $0.40 per common share for a period of 12 months following closing. To keep the Company's mineral claims in good standing, the Company is required to make cash payments and fulfill work program expenditures. The Company has a capital lease for the purchase of a permanent camp with total commitments of $220,599 and a mortgage payable of $320,838 relating to land and buildings. The camp, land and buildings are all related to the Cassiar project. As at February 28, 2009, the Company has a commitment to spend $2,509,562 of flow through eligible expenditures by December 31, 2009.

Transactions with Related Parties

Included in current liabilities at February 28, 2009, was $205,762 (November 30, 2008 - $205,852) payable to Adriana Resources Inc. ("Adriana"), a company with common officers and directors, for reimbursement of management salaries and to Hemmingsen Management Ltd. ("Hemmingsen"), for administrative services. Hemmingsen is jointly owned by the Company and Adriana. During the three months ended February 28, 2009, the Company paid rent of $nil (2008 - $12,000) to Adriana.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

Disclosure of Outstanding Share Data

The following details the share capital structure as of the date of this MD&A.

	Expiry date	Exercise price	Number of Securities	Number Of Shares
Common shares				73,912,347
Share purchase options:	May 4, 2009	$4.18	15,789	
	September 5, 2009	$3.04	26,316	
	October 2, 2009	$1.60	20,000	
	April 25, 2012	$0.60	1,016,700	
	July 22, 2012	$1.60	78,000	
	October 2, 2012	$1.60	50,000	
	April 1, 2010	$0.40	100,000	
	April 1, 2011	$0.40	100,000	
	April 1, 2014	$0.40	2,900,000	4,306,805
Share purchase warrants:	June 20, 2009	$2.25	937,500	
	July 12, 2009	$1.75	1,642,188	
	November 13, 2009	$0.30	825,125	
	December 1, 2009	$0.30	211,167	
	December 17, 2009	$0.30	133,000	
	February 27, 2010	$0.40	11,753,108	
	April 17, 2010	$2.25	1,721,503	17,223,591
				95,442,743

Cautionary Statement

This MD&A may contain "forward looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and factors may include, but are not limited to: unavailability of financing, unfavourable studies regarding the Company's projects, fluctuations in the market valuation for metal prices, difficulties in obtaining required approvals for the development of a mine and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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2009 1st QUARTER REPORT

THREEE MONTHS ENDED FEBRUARY 28, 2009

INTERIM FINANCIAL STATEMENTS

(Unaudited and Prepared by Management)

The accompanying unaudited interim consolidated financial statements of Hawthorne Gold Corp. for the three months ended February 28, 2009 have been prepared by management and approved by the Company's Board of Directors and Audit Committee. These statements have not been reviewed by the Company's external auditor.

Hawthorne Gold Corp.
Interim Consolidated Balance Sheets
(Unaudited - prepared by Management)

		February 28, 2009		November 30, 2008
ASSETS				
Current assets				
Cash and cash equivalents	$	5,598,644	$	96,311
Short term investments		1,600,000		2,100,000
Accounts receivable		25,715		148,133
Prepaid expenses		113,034		67,931
Mine supplies inventory		52,615		52,615
		7,390,008		2,464,990
Reclamation bonds (Note 3)		324,444		324,444
Property, plant and equipment (Note 2)		1,934,244		1,974,326
Mineral properties (Note 3)		33,124,930		30,645,887
	$	42,773,626	$	35,409,647
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	479,083	$	1,069,155
Due to related parties (Note 7)		205,762		205,852
Short term loan (Note 6)		85,250		170,500
Capital lease obligation - current (Note 5)		139,501		135,042
Mortgage payable - current (Note 2)		76,204		73,964
		985,800		1,654,513
Capital lease obligation (Note 5)		145,969		200,096
Mortgage payable (Note 2)		244,634		264,545
Asset retirement obligation (Note 3)		741,693		732,205
		2,118,096		2,851,359
SHAREHOLDERS' EQUITY				
Share capital (Note 4)		32,884,979		29,868,795
Contributed surplus (Note 4(f))		7,639,845		5,095,940
Retained earning (deficit)		130,706		(2,406,447)
		40,655,530		32,558,288
	$	42,773,626	$	35,409,647

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 10)
Subsequent events (Note 11)

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

Approved on behalf of the Board:

"Richard Barclay"
Director

"Harvey Brooks"
Director

Hawthorne Gold Corp.
Interim Consolidated Statements of Operations and Deficit
(Unaudited - prepared by Management)

	Three months ended February 28, 2009	Three months ended February 29, 2008
Administrative expenses		
Amortization	$ 9,138	$ 2,594
Accretion of asset retirement obligation	9,488	-
Bank charges and interest	12,506	16,814
Filing fees and transfer agent	21,112	10,400
Investor relations	132,304	108,473
Professional fees and consulting	64,752	33,123
Project investigation	5,588	-
Rent and office expenses	102,744	55,469
Shareholder information	44,274	7,541
Stock-based compensation	8,334	112,118
Travel and entertainment	536	2,148
Wages and benefits	150,482	30,046
Loss before other income and income taxes	(561,258)	(378,726)
Other income		
Interest income	7,704	39,026
Loss before income taxes	(553,554)	(339,700)
Future income tax recovery (Note 4)	3,090,707	-
Income (loss) and comprehensive loss for the period	2,537,153	(339,700)
Deficit, beginning of the period	(2,406,447)	(598,847)
Income (deficit), end of the period	$ 130,706	$ (938,547)
Basic and diluted loss per common share	0.05	(0.02)
Weighted average number of shares outstanding	51,238,224	15,978,819

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

Hawthorne Gold Corp.
Interim Consolidated Statements of Cash Flows
(Unaudited - prepared by Management)

	Three months ended February 28, 2009	Three months ended February 29, 2008
Cash provided by (used in)		
Operating activities		
Income (loss) for the period	$ 2,537,153	$ (339,700)
Items not involving cash:		
Amortization	9,138	2,594
Accretion of asset retirement obligations	9,488	-
Stock-based compensation	8,334	112,118
Future income tax recovery	(3,090,707)	-
Net changes in non-cash working capital		
Accounts receivable	122,419	86,609
Prepaid expenses	(45,103)	80,724
Accounts payable and accrued liabilities	208,645	255,219
Due to related parties	(90)	35,355
Net cash (used in) provided by operating activities	(240,723)	232,919
Investing activities		
Property, plant and equipment	(10,726)	(19,558)
Mineral properties	(1,379,840)	(2,944,906)
Short term investments	500,000	(950,000)
Net cash used in investing activities	(890,566)	(3,914,464)
Financing activities		
Proceeds from shares issued, net of issue costs	6,786,211	2,913,342
Loan receivable		(127,908)
Repayment of short term loan	(85,250)	-
Repayment of mortgage	(17,671)	-
Repayment of capital lease	(49,668)	(28,219)
Net cash provided by financing activities	6,633,622	2,757,215
Increase (decrease) in cash and cash equivalents	5,502,333	(924,330)
Cash and cash equivalents, beginning of the period	96,311	1,203,151
Cash and cash equivalents, end of the period	$ 5,598,644	$ 278,821
Interest paid	$ 21,966	$ 15,901
Income taxes	$ -	$ -

Supplemental cash flow information (Note 8).

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Hawthorne Gold Corp. (the "Company") was incorporated under the laws of British Columbia on January 18, 2006. The Company's principal business activities include the acquisition, exploration and development of mineral properties. The Company is listed as a Tier One issuer on the TSX Venture Exchange.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles using standards for interim financial statements and do not contain all of the information required for annual financial statements. These interim consolidated financial statements follow the same accounting policies and methods of application of the most recent annual audited consolidated financial statements dated November 30, 2008. Accordingly, they should be read in conjunction with the Company's November 30, 2008 annual audited financial statements.

The Company is considered to be in the exploration stage with respect to its interests in mineral properties. The recoverability of the amounts comprising mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development and upon future profitable production.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration work on its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

These unaudited interim consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. PROPERTY, PLANT AND EQUIPMENT

			February 28, 2009
	Cost $	Accumulated Amortization $	Net Book Value $
Office furniture	61,473	9,339	52,134
Computer equipment	65,212	16,498	48,714
Computer software	21,169	11,636	9,533
Vehicles	172,040	63,043	108,997
Site equipment	516,286	40,840	475,446
Buildings	1,413,037	186,617	1,226,420
Land	13,000	-	13,000
	2,262,217	327,973	1,934,244

			November 30, 2008
	Cost $	Accumulated Amortization $	Net Book Value $
Office furniture	56,068	6,986	49,082
Computer equipment	60,057	13,034	47,023
Computer software	20,653	9,081	11,572
Vehicles	172,040	56,356	115,684
Site equipment	516,286	35,162	481,124
Buildings	1,413,387	156,546	1,256,841
Land	13,000	-	13,000
	2,251,491	277,165	1,974,326

Included in buildings at February 28, 2009, was $330,599 (2008 – $507,489) in capital leases. Amortization during the three months ended February 28, 2009 amounted to $50,808 (2008 - $38,629), which has been reflected in the financial statements as follows:

Three months ended February 28,	2009	2008
Mineral properties - balance sheet	41,670	36,035
Amortization - statement of operations and deficit	9,138	2,594
Total amortization recognized, credited to accumulated amortization	50,808	38,629

Mortgage Payable

In October, 2008, the Company purchased land and buildings adjacent to its Cassiar property for $385,000 and financed the purchase with a mortgage of $350,000. The mortgage has a four-year term, bears interest at an annual rate of 12% and is payable at $9,217 per month. At February 28, 2009, the principal outstanding was $320,838, of which $76,204 is included in current liabilities.

3. MINERAL PROPERTIES

	Cassiar Property $	Frasergold Property $	Carruthers Property $	Total $
Balance, November 30, 2007	-	3,999,900	151,191	4,151,091
Acquisition and maintenance	15,915,562	137,598	15,000	16,068,160
Amortization	24,502	144,139	-	168,641
Camp and expediting	1,067,892	714,723	11,545	1,794,160
Drilling	344,886	1,885,487	-	2,230,373
Equipment	206,771	76,027	2,837	285,635
Environmental and permits	23,219	380,127	-	403,346
Assaying and metallurgical	115,841	704,208	2,374	822,423
Geological and geophysics	850,814	286,138	19,605	1,156,557
Underground and rehabilitation	441,469	-	-	441,469
Professional and consulting	131,934	95,007	-	226,941
Stock-based compensation	-	71,586	-	71,586
Travel and transportation	209,417	76,771	4,970	291,158
Vehicles costs	23,057	40,611	-	63,668
Insurance and financing costs	11,374	-	-	11,374
Wages and benefits	1,467,704	1,199,123	-	2,666,827
Incurred during the year	20,834,442	5,811,545	56,331	26,702,318
Write-off of mineral property interests			(207,522)	(207,522)
Balance, November 30, 2008	20,834,442	9,811,445	-	30,645,887
Acquisition and maintenance	1,884,971	6,970	-	1,891,941
Amortization	41,670	-	-	41,670
Camp and expediting	2,831	11,398	-	14,229
Equipment	22,629	316	-	22,945
Environmental and permits	2,151	20,211	-	22,362
Assaying and metallurgical	6,952	69,230	-	76,182
Geological and geophysics	26,503	2,735	-	29,238
Professional and consulting	10,718	5,400	-	16,118
Travel	13,931	169	-	14,100
Wages and benefits	323,757	26,501	-	350,258
Incurred during the period	2,336,113	142,930	-	2,479,043
Balance, February 28, 2009	23,170,555	9,954,375	-	33,124,930

Title to mineral property interests 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 claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in which the Company has committed to earn an interest are located in Canada.

Cassiar Property, British Columbia

The Cassiar Property is a package of mineral claims located in northern British Columbia, Canada. The Cassiar Property, wholly owned by the Company, hosts a number of gold assets including the fully permitted Table Mountain gold mine and the Taurus deposit.

Table Mountain

The fully permitted Table Mountain gold mine is an underground mining operation located in northern British Columbia.

Taurus

Pursuant to an option agreement, the Company can acquire certain mineral claims near Cassiar, British Columbia from American Bonanza Gold Corp. ("Bonanza") in consideration of an aggregate $6 million over two years, consisting of $1 million by December 22, 2007 (paid), $2 million by June 22, 2008 (paid), $1.5 million by June 22, 2009 and $1.5 million by December 22, 2009. A further $3 million is payable upon completion of a positive feasibility study recommending production, or production, whichever comes first. Pursuant to the agreement, the Company is required to issue 250,000 common shares to Bonanza on or before December 22, 2008. On December 23, 2008, the Company signed an amended option agreement and issued 6,750,000 common shares to Bonanza and terminated all remaining cash and share payments under the option agreement.

Frasergold Property, British Columbia

At February 28, 2009, the Frasergold property is comprised of the following mineral claims:

Eureka Resources Inc.

In October 2006, the Company entered into in an option agreement with Eureka Resources, Inc. ("Eureka") to earn up to a 60% interest in the Frasergold property by incurring the following:

	Cash payments	Minimum work commitments
On signing (paid)	$ 25,000	$ -
September 30, 2007 (expended)	-	500,000
October 31, 2007 (paid)	50,000	-
April 30, 2008 (expended)	-	1,000,000
October 31, 2008 (paid)	50,000	-
April 30, 2009 (expended)	-	1,000,000
October 31, 2009	50,000	-
April 30, 2010 (expended)	-	1,000,000
	$ 175,000	$ 3,500,000

In addition to the cash payments of $175,000 and exploration expenditures of $3,500,000, the Company must also complete a feasibility study by April 30, 2010 to earn its initial 51% interest. In the event the feasibility study cannot be completed by April 30, 2010, the Company can pay a cash penalty of $100,000 per quarter to Eureka until January 31, 2012. The Company can earn an additional 9% interest by arranging third party financing for not less than 70% of the estimated capital costs required for commercial production of the property for Eureka on the same terms and conditions as the Company. If the Company fails to arrange third party financing for production, Eureka can arrange third party financing and earn an additional 2% interest from the Company.

Dajin Resources Corp.

In May 2007, the Company entered into in an option agreement with Dajin Resources Corp. (“Dajin”) to earn up to a 70% interest in certain mineral claims by incurring the following:

		Cash payments		Minimum work commitments
On signing (paid)	$	100,000	$	-
May 29, 2008 (expended)		-		150,000
November 30, 2009		-		150,000
November 30, 2010		-		200,000
		100,000		500,000

On the exercise of the option, Dajin may elect to either remain a 30% working interest partner or, for no additional consideration, convert its 30% working interest into a 2% Net Smelter Royalty (“NSR”).

Bourdon Property

In June 2007, the Company entered into an option agreement with a property vendor to earn a 100% interest in a mineral claim by incurring the following:

		Cash payments	Share payments
On signing (paid and issued)	$	20,000	10,000
May 29, 2008 (paid and issued)		30,000	15,000
May 29, 2009		40,000	20,000
November 30, 2010		50,000	25,000
	$	140,000	70,000

In the event the Bourdon property is subject to a positive feasibility study, the Company will issue an additional 150,000 common shares. The property is subject to a two percent (2%) NSR of which fifty percent (50%) may be purchased for the sum of $1 million.

Addie Property

In September 2007, the Company acquired certain mineral claims by issuing 50,000 common shares. The property is subject to a two percent (2%) NSR of which 50% may be purchased for the sum of $1 million.

Asset Retirement Obligation

A continuity of the asset retirement obligation relating to the mineral properties is as follows:

		February 28, 2009		November 30, 2008
Asset retirement obligation - beginning balance	$	732,205	$	22,179
Amount arising from Cusac acquistion		-		685,960
Accretion expense		9,488		24,066
Asset retirement obligation - ending balance	$	741,693	$	732,205

The total undiscounted amount of estimated cash flows required to settle the obligations is $1,050,052, which was adjusted for inflation at the rate of 2% and then discounted at a credit adjusted risk free rate of 10%. Certain minimum amounts of asset retirement obligations will occur each year with the significant amounts to be paid on abandonment of the mineral property interests estimated in 2015. As at February 28, 2009, the Company has $324,444 reclamation bonds held at the provincial government of British Columbia as a commitment to meet its regulatory obligations.

4. SHARE CAPITAL

a) Authorized

Unlimited Class A common shares, without par value

b) Issued

	Three months ended February 28, 2009		Year ended November 30, 2008	
	Shares #	Amount $	Shares #	Amount $
Common shares				
Balance, beginning of period	40,993,096	29,868,795	14,462,875	5,717,692
Private placements	26,169,251	7,365,000	20,331,005	17,672,483
Acquisition of Cusac Gold Mines Ltd.	-	-	6,054,228	10,292,188
Shares issued for mineral properties	6,750,000	1,856,250	15,000	20,700
Shares issued for finder's fees	-	-	92,813	148,501
Shares issued on warrant exercises	-	-	16,375	15,556
Shares issued on option exercises	-	-	20,800	22,506
Less:				
- Costs of financing		(3,114,358)		(4,020,831)
- Tax benefits renounced to subscribers		(3,090,707)		-
Balance, end of period	73,912,347	32,884,979	40,993,096	29,868,795

On December 1, 2008, the Company closed a non-brokered private placement for gross proceeds of $633,500. The private placement consisted of 3,016,667 flow through shares priced at $.21 per share. The Company paid a cash commission of $44,345 or 7% of the gross proceeds and issued 211,167 broker warrants equal to 7% of the number of flow through shares. Each broker warrant is exercisable at $0.30 per share for a period of 12 months from the closing of the private placement.

On December 17, 2008, the Company closed another non-brokered private placement for gross proceeds of $500,000. The private placement consisted of 2,380,952 flow through shares priced at $.21 per share. The Company paid cash commission of $27,930 and issued 133,000 broker warrants which both equal to 7% of the number of certain flow through shares sold. Each broker warrant is exercisable at $0.30 per share for a period of 12 months from the closing of the private placement.

On February 27, 2009, the Company closed a private placement for gross proceeds of $6,231,500. It consisted of a $3,892,250 non-brokered private placement of 12,974,166 units at a price of $0.30 per unit and a $2,339,250 brokered private placement of 7,797,500 units priced at $.30 per unit. Each unit consists of one common share and one half of a transferable share purchase warrants. Each warrant is exercisable at a price of $.40 per share for a period of 12 months from the closing of the private placement. The Company paid a $163,748 cash commission or 7% of the gross proceeds of the brokered private placement and issued 545,825 broker warrants equal to 7% of the number of units sold under the brokered placement. On the non-brokered private placement, the Company paid cash commissions of $246,435 and issued 821,450 broker warrants which are both equal to 7% of certain gross proceeds and number of units sold under the non-brokered private placement. Each broker warrant is exercisable at $0.40 per share for a period of 12 months from the closing of the private placement.

In accordance with the terms of offerings and certain provisions of the Income Tax Act (Canada), in December 2008, the Company renounced for income tax purposes, exploration expenditures of $9,780,717 to subscribers of the flow through common shares in private placement closed in April, November and December 2008, for which the Company incurred the eligible expenditures. The Company recorded $3,090,707 for the future effect on income taxes related to flow through shares as a reduction of share capital and as a future income tax recovery in the statement of operations and deficit.

c) Warrants

The continuity of warrants is as follows:

	Number of warrants	Weighted average exercise price
Balance, November 30, 2008	5,989,496	$ 1.76
Issued	12,097,275	0.40
Expired	(148,444)	3.80
Balance, February 28, 2009	17,938,327	$ 0.82

At February 28, 2009, warrants were outstanding enabling holders to acquire shares as follows:

Number of Warrants	Exercise Price	Expiry Date
382,434	$ 1.75	April 17, 2009
314,625	$ 0.60	April 23, 2009
17,677	$ 1.75	April 25, 2009
937,500	$ 2.25	June 20, 2009
1,642,188	$ 1.75	July 12, 2009
825,125	$ 0.30	November 13, 2009
211,167	$ 0.30	December 1, 2009
133,000	$ 0.30	December 17, 2009
11,753,108	$ 0.40	February 27, 2010
1,721,503	$ 2.25	April 17, 2010
17,938,327		

The fair value of share purchase warrants has been estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2009	2008
Risk free interest rate	1.15%	4%
Expected dividend yield	- %	- %
Stock price volatility	126%	120%
Expected life of warrants	1 year	1.5 years
Fair value of warrants	$0.21	$0.83

During the period ended February 28, 2009 under the fair-value-based method, $325,611 (2008 - $775,143) was recorded as compensation expense for the issuance of broker warrants in connection with private placements, which is included in share issue costs and credited to contributed surplus.

The fair value of broker warrants has been estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2009	2008
Risk free interest rate	1.29%	-
Expected dividend yield	- %	-
Stock price volatility	137%	-
Expected life of warrants	1 year	-
Fair value of warrants	$0.16	-

d) Options

The Company adopted a rolling stock option plan, whereby 10% of the Company's issued and outstanding common shares on a non-diluted basis may be granted to officers, directors, employees and consultants of the Company. Options granted to consultants have one to two-year terms and are vested generally over a twelve-month period with 25% vested every three months from the date of grant. Options granted to directors, officers and employees have a five-year term and a vesting period of one and half years with 33% vested every six months from the grant date. As at February 28, 2009, 1,206,805 (2008 – 1,348,000) options have been issued. Of these, 1,190,139 (2008 – 460,664) options have vested with the remaining options vesting 25% for consultants and 33% for employees on their last vesting dates. The options currently outstanding are exercisable at prices ranging from $0.60 to $4.18 at various dates up to October 1, 2012.

The continuity of options is as follows:

	Number of common shares	Weighted average exercise price
Balance, November 30, 2008	1,231,805	$ 0.85
Cancelled	(25,000)	(2.00)
Balance, February 28, 2009	1,206,805	$ 0.71

At February 28, 2009, the following options were outstanding:

Number of Options	Exercise Price	Number Exercisable	Expiry Date
15,789	$ 4.18	15,789	May 4, 2009
26,316	$ 3.04	26,316	September 5, 2009
20,000	$ 1.60	20,000	October 2, 2009
1,016,700	$ 0.60	1,016,700	April 25, 2012
78,000	$ 1.60	78,000	July 22, 2012
50,000	$ 1.60	33,334	October 1, 2012
1,206,805		1,190,139	

The fair value of share options used has been estimated using the Black-Scholes option pricing model with the following assumptions:

	2009	2008
Risk free interest rate	-	4.23%
Expected dividend yield	-	- %
Stock price volatility	-	111%
Expected life of options	-	5 years
Fair value of options	-	$0.68

The exercise prices of all share purchase options granted were at the market price at the grant date. Using an option pricing model with the assumptions noted above, the estimated fair value of all options granted during the three months ended February 28, 2009, have been reflected in the financial statement as follows:

Three months eneded February 28,	2009	2008
Mineral properties - balance sheet	$ -	$ 54,964
Stock-based compensation - statement of operations and deficit	8,334	112,118
Total stock-based compensation recognized, credited to contributed surplus	$ 8,334	$ 167,082

e) Shares held in escrow

As at February 28, 2009, there were 2,061,000 common shares (2008 – 3,435,000) of the Company held in escrow. The escrowed shares are released every six months and the length of the agreement is three years.

f) Contributed surplus

	Three months ended February 28, 2008	Year ended November 30, 2008
Balance, beginning of period	$ 5,095,940	$ 2,152,424
Stock-based compensation for stock options	8,334	315,647
Valuation of broker warrants	325,611	331,883
Valuation of share purchase warrants	2,209,960	2,311,743
Exercise of stock options	-	(10,026)
Exercise of broker warrants	-	(5,731)
Balance, end of period	$ 7,639,845	$ 5,095,940

5. CAPITAL LEASE

The Company is committed to a capital lease for its camp facilities as follows:

	2009	$ 176,479
	2010	215,774
Total lease payments and buyout		392,253
Less: amount representing interest		(57,115)
Present value of minimum payments		$ 335,138

6. SHORT TERM LOAN

On April 15, 2008, the Company completed a statutory plan of arrangement pursuant to which the Company acquired all of the outstanding common shares and debentures of Cusac Gold Mines Ltd. (“Cusac”). Cusac became a wholly owned subsidiary of the Company and was renamed Cassiar Gold Corp. Under the terms of the Arrangement, the Company assumed a short term loan of $341,000 due in four quarterly instalments of $85,250. As at February 28, 2009, $255,750 has been repaid including $85,250 during the current quarter. The remaining balance of $85,250 was paid subsequent to the period end. The loan bore interest at an annual rate of 8%.

7. RELATED PARTY TRANSACTIONS

Included in current liabilities at February 28, 2009, was $205,762 (2008 - $35,355) payable to related parties which is non-interest bearing, unsecured and has no fixed terms of repayment.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

8. SUPPLEMENTAL CASH FLOW INFORMATION

Other than disclosed elsewhere in these financial statements, the significant non-cash transaction for the three months ended February 28, 2009, was the inclusion in accounts payable of $184,803 (2008 - $68,250) in mineral property expenditures.

During the three months period ended February 28, 2009, the Company issued 6,750,000 common shares valued at $1,856,256 to American Bonanza Gold Corp. for the option payment on the Taurus property.

9. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and development of mineral properties. All of the Company's properties and equipment are located in Canada.

10. COMMITMENTS AND CONTINGENCIES

a) The Company is committed to certain cash payments and exploration expenditures as described in Notes 2 and 3.

b) Pursuant to the flow through common shares issued, the Company is committed to spending $3,491,000 on qualified expenditures by December 31, 2009. As of February 28, 2009, the Company expended $981,438 of the qualified expenditures leaving a balance of $2,509,562 due by December 31, 2009.

c) The Company's commitment to office lease is as follows:

	$
2009	122,845
2010	168,409
2011	173,770
2012	179,130
2013	184,491
2014	109,444

d) The Company is committed to drill an additional 14,000 meters by August, 2009 in accordance with a drill contract.

e) At the year ended November 30, 2008, the Company received a demand letter from a vendor of the Company. The demand letter is for certain delay charges relating to the suspension of a drilling project in the amount of $1,340,930. Management is of the opinion that it does owe money to the vendor but in an amount less than the $1,340,930 indicated. The amount is therefore, currently in dispute and accordingly the Company had recorded its estimate of the amounts owing based on information available to it as of November 30, 2008. Included in accounts payable and accrued liabilities as at February 28, 2009 is $128,786 that relates to this claim, which is management's estimate. In the event that resolution of the dispute results in a change to the amount owed, any gain or loss will be recognized in the period that the final determination of the amount is made. However, any potential change is currently not determinable.

11. SUBSEQUENT EVENTS

Subsequent to the three months ended February 28, 2009, the Company granted incentive stock options to directors, officers, employees and consultants of the Company to purchase up to 3,100,000 common shares in the capital stock of the Company pursuant to a Share Option Plan approved by shareholders. The options are exercisable at a price of $0.40 per share, have a term of up to five years and are subject to vesting restrictions over a period of twelve months from the date of grant.

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