

PUGET VENTURES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2009 AND APRIL 30, 2008

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AUDITORS' REPORT

TO THE SHAREHOLDERS OF PUGET VENTURES INC.

We have audited the balance sheets of Puget Ventures Inc. as at April 30, 2009 and 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 April 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
August 27, 2009

PUGET VENTURES INC.

STATEMENTS OF OPERATIONS AND DEFICIT

Years ended April 30

	2009	2008
Expenses		
Professional fees (Note 8)	\$ 199,961	\$ 74,063
Consulting fees (Note 8)	145,800	5,250
Shareholder relations	94,405	-
Stock-based compensation (Note 6(e))	37,095	32,470
Office overhead	36,789	25,734
Filing and registration fees	28,692	20,569
Travel	26,467	6,246
Rent	15,531	12,450
	584,740	176,782
Other Items		
Interest income	(7,528)	(3,464)
Write-off of incorporation costs	-	1,267
Property investigation costs	28,361	-
	20,833	(2,197)
Loss before future income taxes	605,573	174,585
Recovery of future income taxes (Note 7)	(319,300)	-
Net loss and comprehensive loss for the year	286,273	174,585
Deficit, beginning of year	188,222	13,637
Deficit, end of year	\$ 474,495	\$ 188,222
Loss per share, basic and diluted	\$ 0.03	\$ 0.15
Weighted average number of common shares outstanding	9,524,080	1,183,497

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

PUGET VENTURES INC.

STATEMENTS OF CASH FLOWS

Years ended April 30

	2009	2008
Operating Activities		
Net loss for the year	\$ (286,273)	\$ (174,585)
Items not involving cash		
Stock-based compensation	37,095	32,470
Incorporation costs	-	1,267
Recovery of future income taxes	(319,300)	-
Changes in non-cash working capital items		
GST receivable	(52,952)	(9,227)
Prepaid expenses	19,260	(14,063)
Accounts payable and accrued liabilities	(14,656)	51,535
Cash Used in Operating Activities	(616,826)	(112,603)
Investing Activities		
Purchase of term deposit	(56,765)	(101,560)
Mineral property interests	(985,970)	(10,000)
Cash Used in Investing Activities	(1,042,735)	(111,560)
Cash flows from Financing Activity		
Capital stock issued for cash, net of share issue costs	1,607,271	202,767
Decrease in cash and cash equivalents	(52,290)	(21,396)
Cash and cash equivalents, beginning of year	82,293	103,689
Cash and cash equivalents, end of year	\$ 30,003	\$ 82,293
Cash and cash equivalents are comprised of:		
Cash	\$ 30,003	\$ 25,728
Short term deposit	-	56,565
	\$ 30,003	\$ 82,293

Supplemental Cash Flow Information (Note 11)

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

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

1. NATURE OF OPERATIONS

Puget Ventures Inc. (the "Company" or "Puget") is an exploration stage company incorporated under the *Business Corporations Act* of British Columbia on March 9, 2007, engaged in the exploration and development of mineral property interests. The Company began trading on the TSX Venture Exchange ("TSX-V") as a capital pool corporation on October 31, 2007 and completed its qualifying transaction on May 15, 2008 and now trades on the TSX-V under the symbol "PVS".

These financial statements have been prepared on a going concern basis, which contemplates 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 business.

At April 30, 2009, the Company reported a working capital of \$195,538 (2008 - \$149,015). The Company has an accumulated deficit of \$474,495 (2008 - \$188,222).

The ability of the Company to continue as a going concern and meet its commitments as they become due, including completion of the acquisition, exploration and development of its mineral properties, is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and expected growth, if necessary, or alternatively to dispose of its interests in certain properties. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management will be required to curtail the Company's operations.

The business of mining exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has significant cash requirements to meet its administrative overhead, pay its liabilities and maintain its mineral property interests. The recoverability of amounts shown for mineral property interests is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral property interests. The carrying value of the Company's mineral property interests does not reflect current or future values.

These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and are stated in Canadian dollars, which is the Company's functional and reporting currency.

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Mineral Property Interests

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse.

All capitalized costs are reviewed annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property interest exceeds its net recoverable amount (as estimated by quantifiable evidence of an economic geological resource or reserve or by reference to option or joint venture expenditure commitments) or when, in the Company's assessment, it will be unable to sell the property interest for an amount greater than the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the property interests are abandoned or the claims allowed to lapse.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is credited to income.

(c) Stock-based Compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options or warrants is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options and warrants is accrued and charged to operations, with the offset credit to contributed surplus, over the vesting period. If and when the stock options and warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock. The Company does not incorporate an estimated forfeiture rate for options that will not vest, but rather accounts for actual forfeitures as they occur.

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Asset Retirement Obligation ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO to the extent of the liability recorded are charged against the amount provided. Actual costs incurred in excess of the liability recorded are charged to operations in the period incurred. The Company assessed its mineral property interests, and based upon such assessments, there were no known material AROs as at April 30, 2009 or 2008.

(e) Impairment of Long-Lived Assets

Assets of the Company are reviewed annually or 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 cash flows expected 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.

(f) Revenue Recognition

Interest income is accrued on a time-apportioned basis by reference to the carrying value using the effective interest method.

(g) Per Share Information

Basic earnings/loss per share is calculated using the weighted average number of common shares outstanding during the period. 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 earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Flow-through Shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. The future income tax liability associated with the flow-through shares is recognized by the Company when tax credits are renounced. Capital stock is reduced and future income tax liability is increased by the tax related to the renounced tax deduction. Where available, the Company offsets future income tax liabilities with future income tax assets by way of recognizing a future income tax recovery.

(i) Future Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, 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 basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

(j) Capital Stock

Capital stock issued for non-monetary consideration is recorded at fair market value pursuant to the agreement to issue shares as determined by the board of directors of the Company based on the trading price of the shares on the TSX-V.

(k) Warrants

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(l) Financial Instruments

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item.

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial Instruments (Continued)

Transaction costs that are directly attributable to the acquisition or issuance of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments and amortized using the effective interest method.

(m) Changes in accounting policies

(i) Capital Disclosures

The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1535, "Capital Disclosures", 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 procedures for managing capital. The new section has been adopted effective May 1, 2008. Note 12 provides further details.

(ii) Financial Instruments

CICA Handbook Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation", replace the existing Section 3861, "Financial Instruments Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity's financial position and performance, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interests, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The new sections have been adopted effective May 1, 2008. Note 3 provides further details.

(iii) Going Concern

The CICA amended Section 1400, "General Standards of Financial Statement Presentation", which requires management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The adoption did not have a material impact on the financial statements for any of the periods presented. The new section has been adopted effective May 1, 2008.

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Future Accounting Change

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 changeover date of May 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ending April 30, 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.

3. FINANCIAL INSTRUMENTS

The Company classifies its cash and cash equivalents and term deposit as held-for-trading; and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of cash and cash equivalents, term deposit, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit Risk

Concentration of credit risk exists with respect to the Company's cash and cash equivalents, and term deposit as the majority of amounts are held at a single major Canadian financial institution. GST is recoverable from a government agency and does not constitute a financial instrument.

The Company's concentration of credit risk and maximum exposure thereto is as follows:

	2009		2008	
Cash and cash equivalents	\$	30,003	\$	82,293
Term deposit		158,325		101,560
	\$	188,328	\$	183,853

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

3. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company normally maintains sufficient cash and cash equivalents to meet the Company's business requirements. However, at April 30, 2009, the cash and cash equivalents balance of \$30,003 and term deposit of \$158,325 are insufficient to meet the Company's general administrative, property and exploration requirements for the coming year. Therefore, the Company will be required to raise additional capital in order to fund its operations in 2010. There can be no assurance that such capital will be available on terms acceptable to the Company. At April 30, 2009, the Company had accounts payable and accrued liabilities of \$54,969 (2008 - \$63,325) that are due within the next 60 days.

(c) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

The Company's cash and cash equivalents consist of cash held in bank accounts and a guaranteed investment certificate (2009) that earns interest at a rate of 2.7% per annum with a maturity date of July 14, 2009. These were partially redeemed during the year. The Company is not exposed to significant interest rate risk as the interest rate is fixed to maturity. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. A hypothetical 1% change in the interest rate would impact the Company's losses by approximately \$1,580.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair market value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company is not exposed to significant other price risk.

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
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4. TERM DEPOSIT

The following term deposit was held by the Company:

			2009	2008
	Maturity Date		Face Value	Face Value
Principal	July 14, 2009	\$	155,000	\$ 100,000
Accrued interest at 2.7% per annum			3,325	1,560
Total at April 30		\$	158,325	\$ 101,560

5. MINERAL PROPERTY INTERESTS

At April 30, 2009 and 2008, the Company's interests in mineral properties are located in Ontario, Canada. Cumulative expenditures incurred are as follows:

	Trout Bay	Norpax	Benton	Werner Lake	Total
Balance – April 30, 2007	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition costs	10,000	-	-	-	10,000
Balance – April 30, 2008	10,000	-	-	-	10,000
Acquisition costs	173,850	30,000	51,240	85,000	340,090
Exploration expenditures:					
Analysis	23,287	-	-	-	23,287
Camp cost	17,132	-	-	-	17,132
Drilling	494,018	-	-	-	494,018
Equipment rental	12,211	-	-	-	12,211
Geology	73,330	2,500	-	-	75,830
Reimbursed expenditures	145,500	-	-	-	145,500
Recording fees	840	-	-	-	840
Reports, drafting and maps	62,265	10	-	-	62,275
Travel and accommodation	36,177	-	-	-	36,177
Total expenditures	864,760	2,510	-	-	867,270
Balance – April 30, 2009	\$ 1,048,610	\$ 32,510	\$ 51,240	\$ 85,000	\$ 1,217,360

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

5. MINERAL PROPERTY INTERESTS (Continued)

The properties are further described below:

(a) Trout Bay

On December 18, 2007, the Company entered into agreements with Goldcorp Inc. ("Goldcorp") and West Timmins Mining Inc. ("West Timmins") to acquire the option to earn an undivided 60% interest in the mineral properties known as the Trout Bay property located in Red Lake, Ontario.

Aggregate exploration expenditures of \$864,760 have been incurred to April 30, 2009. In order to obtain the option, the Company was required to make cash payments of \$10,000 (option costs) and \$145,500 (for reimbursement of expenses incurred) to West Timmins, and issue 285,000 common shares of the Company. In order to maintain the option, the Company is required to make exploration expenditures of \$5,000,000 on the Trout Bay property as follows:

- \$750,000 in exploration expenditures on or before November 30, 2008 (incurred);
- An additional \$750,000 in exploration expenditures on or before November 30, 2009;
- An additional \$1,000,000 in exploration expenditures on or before November 30, 2010;
- An additional \$1,000,000 in exploration expenditures on or before November 30, 2011; and
- An additional \$1,500,000 in exploration expenditures on or November 30, 2012.

(b) Norpax Property

On April 22, 2009, the Company entered into an agreement to acquire an option to purchase 100% of the mineral interests in the Norpax Property located in the Reynar Lake District in the Kenora Mining District, Ontario. In order to acquire the option, the Company is required to make cash payments totalling \$30,000 (paid) to the optionor and issue 50,000 common shares (issued subsequent to year-end) of the Company. Additionally, the Company is required to make option payments of \$90,000 and exploration expenditures of \$1,000,000 on the Norpax Property as follows:

- \$40,000, and \$50,000 in exploration expenditures on or before March 15, 2010;
- \$50,000, and \$150,000 in exploration expenditures on or before March 15, 2011;
- \$350,000 in exploration expenditures on or before March 15, 2012; and
- \$450,000 in exploration expenditures on or before March 15, 2013.

The Property is subject to a 2% net smelter return ("NSR") royalty. At any time before the commencement of commercial production, the Company shall have the right to purchase one-half of the royalty on the payment of \$1,500,000. The Company has been granted a right of first refusal to purchase the royalty.

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

5. MINERAL PROPERTY INTERESTS (Continued)

(c) Benton Resources Property

On November 20 2008, the Company entered into an agreement with Benton Resources Corp. (the "Optionor") to acquire an option to purchase 100% of the mineral interests in the Werner-Rex Greenstone Belt located in the Kenora Mining District, Ontario, subject to a 2% NSR. In order to exercise the option, the Company is required to make cash payments totalling \$40,000 to the optionor, issue 100,000 common shares of the Company to the optionor, issue common shares of the Company for the equivalent value of 30,000 of the optionor common shares (based on a 20-day rolling average of the respective trading price of the shares of Puget and the optionor shares on the TSX-V prior to the date of issuance), and make exploration expenditures of \$1,500,000 on the Benton Property as follows:

- 100,000 Common Shares on or before the closing date of November 23, 2008 (issued);
- \$10,000, and the equivalent of 10,000 shares of the optionor's shares in Company shares on or before November 30, 2008 (paid and issued 3,100 shares);
- \$250,000 in exploration expenditures on or before the first anniversary of the closing date;
- An additional \$10,000, and the equivalent of 10,000 common shares of the optionor's shares in Company shares on or before November 30, 2009;
- An additional \$350,000 in exploration expenditures on or before the second anniversary of the closing date;
- An additional \$20,000, and the equivalent of 10,000 common shares of the optionor's shares in Company shares on or before November 30, 2010;
- An additional \$450,000 in exploration expenditures on or before the third anniversary of the closing date; and
- An additional \$450,000 in exploration expenditures on or before the fifth anniversary of the closing date.

Concurrent or subsequent to the Company's exercise of the option, either the optionor or the Company may exercise the right to purchase 1% of the underlying royalty for \$1,000,000.

(d) Werner Lake

On April 1, 2009, the Company entered into a letter agreement with Commerce Capital Inc. ("Commerce") subject to the approval of the TSX-V (approved May 4, 2009) to acquire: (a) an undivided 100% interest in certain Werner Lake Mineral Belt properties in the Kenora Mining District of Ontario; and (b) an option granted to Commerce to acquire two unpatented claims known as the Riives Option. The Company is required to make cash payments pursuant to the agreement totalling \$1,035,000 as follows:

- \$85,000 on execution of the Agreement (paid); and
- \$950,000 on or before that date, which is three business days of the receipt of written acceptance for filing from the TSX-V (paid subsequent to the year-end) (Note 13(d)).

The Company has granted a 2% NSR royalty to Commerce on all ores, minerals or concentrates produced from the property and the Company may purchase 1% of this NSR for \$2,000,000.

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
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5. MINERAL PROPERTY INTERESTS (Continued)

(d) Werner Lake (Continued)

The Company will be entitled to exercise the Riives Option by making cash payments of:

- \$10,000 payable upon July 16, 2008 (paid in August 2009);
- \$10,000 payable upon July 16, 2009;
- \$10,000 payable upon July 16, 2010; and
- \$10,000 payable upon July 16, 2011.

The Company will also be required to make a \$2,000 advance royalty payment annually to the optionor commencing on July 16, 2010. The Riives Option is subject to an additional 2% NSR royalty and before the commencement of commercial production the Company may pay \$500,000 for each 1% of the royalty.

(e) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(f) Realization of Assets

The investment in and expenditures on mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements and the attainment of successful production from the properties or from the proceeds of their disposition.

Mineral exploration and development is highly speculative and involves inherent risks. While rewards if a feasible ore body is discovered might be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that the current exploration programs by the Company will result in the discovery of economically viable quantities of ore.

(g) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

PUGET VENTURES INC.

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6. CAPITAL STOCK

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

(b) Common Shares Issued:

	Number of Common Shares	Amount	Contributed Surplus
Balance, April 30, 2007	2,240,000	\$ 112,000	\$ -
Issued during the year for cash	3,490,000	299,500	-
Share issue costs	-	(110,258)	13,525
Stock-based compensation for stock options granted	-	-	32,470
Balance, April 30, 2008	5,730,000	301,242	45,995
Issued during the year for cash	4,400,000	1,780,000	-
Exercise of share purchase warrants	109,439	16,865	(5,921)
For mineral property interests (Note 11(d))	388,100	215,090	-
Shares issued as finder's fees	50,000	25,000	-
Share issue costs:			
- Cash	-	(183,673)	-
- Non-cash	-	(66,740)	41,740
Tax benefit renounced – flow-through shares	-	(319,300)	-
Stock-based compensation for stock options granted	-	-	37,095
Balance, April 30, 2009	10,677,539	\$ 1,768,484	\$ 118,909

- (i) In August 2007, the Company completed a private placement of 990,000 common shares at a price of \$0.05 per common share for total proceeds of \$49,500.
- (ii) In October 2007, the Company completed an initial public offering (“IPO”) for 2,500,000 common shares at a price of \$0.10 per common share for gross proceeds of \$250,000. Share issue costs of \$110,258 were incurred including \$13,325 for the fair value of 250,000 agent’s warrants of the 2,500,000 common shares issued.
- (iii) On May 15, 2008, with respect to the Company’s qualifying transaction and pursuant to the Company’s concurrent private placement of 1,500,000 flow-through shares at a price of \$0.50 per flow-through share and 1,500,000 units at a price of \$0.50 per unit for gross proceeds of \$1,500,000. Each unit consists of one non-flow-through common share and one-half of one common share purchase warrant, each whole warrant exercisable at a price of \$0.75 per share for a period of 18 months from the date of issuance. As finder’s fees, the Company paid a total of \$120,000 in cash, \$30,000 in administration fees and issued 120,000 agent’s warrants exercisable at \$0.75 per share for an 18-month period. Using the Black-Scholes option pricing model, share issue costs of \$30,600 (2008 - \$Nil) were recognized for 2009. The Company also issued 50,000 common shares as finder’s fees valued at \$25,000 and incurred legal fees of \$9,292, which are included in share issue costs.

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

6. CAPITAL STOCK (Continued)

(b) Common Shares Issued (Continued)

- (iv) On May 16, 2008, the Company also issued 285,000 common shares valued at the market value of \$0.61 per share at \$173,850 to West Timmins pursuant to the Trout Bay property option agreement (Note 5(a)).
- (v) On November 20, 2008, the Company issued 103,100 common shares valued at an agreed price of \$0.40 per share for a total of \$41,240 pursuant to the property option agreement (Note 5(c)).
- (vi) On January 15, 2009, the Company completed a private placement for 1,400,000 units at a price of \$0.20 per unit for total gross proceeds of \$280,000. Each unit consists of one flow-through common share plus one-half of one share purchase warrant. Each full share purchase warrant is exercisable into one non-flow-through common share of the Company at a price of \$0.30 per share in the first year and \$0.40 in the second year. As finder's fees, the Company paid a total of \$15,000 in cash and issued 100,000 agent's options exercisable for one share at \$0.30 per share for an 18-month period. Using the Black-Scholes option pricing model, share issue costs of \$11,140 (2008 - \$Nil) were recognized in 2009. The Company also incurred filing fees of \$1,507 and legal fees of \$7,874, which are included in share issue costs.

(c) Flow-through Financing and Future Income Taxes

Under flow-through financing arrangements, the Company spent \$829,692 on qualified mineral property expenditures and renounced \$1,030,000 during the year ended April 30, 2009 to investors and, accordingly, these costs are not available as a deduction for the Company against future income tax. The tax effect of the \$1,030,000 renunciation amounting to \$319,300 has been reflected as a reduction in capital stock.

(d) Stock Options

The Company has a fixed Stock Option Plan under which the maximum number of shares under option may not exceed 10% of the issued common shares of the Company. Options are granted to directors, officers, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. During the year ended April 30, 2009, 150,000 stock options were granted with an exercise price of \$0.75, and 160,000 options were granted with an exercise price of \$0.30.

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

6. CAPITAL STOCK (Continued)

(d) Stock Options (Continued)

The following is a summary of stock option transactions during the years reported at April 30, 2009 and 2008:

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	425,000	\$0.10	-	-
Stock options granted	210,000	\$0.62	425,000	\$0.10
Agents options granted	100,000	\$0.30	-	-
Balance, end of year	735,000	\$0.28	425,000	\$0.10

As at April 30, 2009, all options issued have vested and are exercisable.

The following summarizes information about stock options outstanding at April 30, 2009 and 2008:

Grant Date	Expiry Date	Exercise Price	2009 Number of Stock Options Outstanding	2008 Number of Stock Options Outstanding
15-Jan-2009	15-Jan-2011	\$0.30	100,000	-
31-Oct-2007	31-Oct-2012	\$0.10	425,000	425,000
01-Jun-2008	01-Jun-2013	\$0.75	150,000	-
17-Apr-2009	17-Apr-2014	\$0.30	60,000	-
			735,000	425,000
Weighted average remaining contractual life of options			4.5 years	3.5 years

(e) Stock-based Compensation

The Company applied the fair value method in accounting for stock options granted using the Black-Scholes option pricing model. Stock-based compensation expense of \$37,095 (2008 - \$32,470) consists of \$19,770 (2008 - \$5,730) in professional fees; \$Nil (2008 - \$26,740) in directors' fees; and \$17,325 (2008 - \$Nil) for investor relations services.

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

6. CAPITAL STOCK (Continued)

(e) Stock-based Compensation (Continued)

The fair value of stock options and warrants was calculated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2009	2008
Risk-free interest rate	1.90%	4.23%
Expected dividend yield	0	0
Expected stock price volatility	71.23%	100.00%
Expected option life in years	4	5
Grant date fair value	\$0.42	\$0.35

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

(f) Warrants

At April 30, 2009 and 2008, the Company has outstanding share purchase warrants to acquire up to an aggregate of common shares as follows:

	2009		2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	250,000	\$0.10	-	-
Issued	1,450,000	\$0.40	250,000	\$0.10
Agent's warrants	120,000	\$0.75	-	-
Exercised	(109,439)	\$0.10	-	-
Balance, end of year	1,710,561	\$0.51	250,000	\$0.10

			2009	2008
Issue Date	Expiry Date	Exercise Price	Number of Warrants Outstanding	Number of Warrants Outstanding
31-Oct-2007	31-Oct-2009	\$0.10	140,561	250,000
15-May-2008	15-Nov-2009	\$0.75	120,000	-
15-May-2008	15-Nov-2009	\$0.75	750,000	-
15-Jan-2009	15-Jan-2011	\$0.30	700,000	-
			1,710,561	250,000

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

7. INCOME TAXES

As at April 30, 2009, the Company has accumulated non-capital losses for tax purposes of approximately \$802,000 that expire in various years to 2029 as follows:

2027	\$	14,000
2028		159,000
2029		629,000
	\$	802,000

Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate tax income rates, are as follows:

	2009	2008
	26%	26%
Non-capital tax losses carried forward	\$ 208,400	\$ 44,863
Future income tax assets arising from share issue costs	58,600	20,120
Temporary differences in assets	800	228
	267,800	65,211
Valuation allowance for future income tax asset	-	(65,211)
	267,800	-
Book value over tax value of mineral property interests	(267,800)	-
	-	-
Future income tax assets	\$ -	\$ -

The reconciliation of income tax provision computed at statutory rates of 30.33% (2008 – 33.08%) to the reported income tax provision is as follows:

	2009	2008
Income tax benefit computed at Canadian statutory rates	\$ (183,690)	\$ (57,753)
Stock-based compensation	11,252	10,741
Share issue costs	(18,544)	(6,400)
Other	(47,324)	843
Change in valuation allowance	(65,808)	41,318
Effect of change in tax rate	(15,186)	11,251
Future income tax recovery	\$ (319,300)	\$ -

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

8. RELATED PARTY TRANSACTIONS

During the year ended April 30, 2009, the Company entered into the following related party transactions:

- (a) Fees in the amount of \$195,555 (2008 - \$Nil) to companies owned by directors and officers of the Company for consulting services; \$9,303 (2008 - \$Nil) is included in accounts payable and accrued liabilities.
- (b) Fees in the amount of \$31,341 (2008 - \$Nil) to a company owned by an officer for professional fees for services rendered.

The above transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. SEGMENTED INFORMATION

The Company has one operating segment, mineral exploration and development, located in Ontario, Canada.

10. COMMITMENTS

By agreement dated June 1, 2008, the Company entered into an investor relations agreement whereby it will receive services at a fee of \$6,000 per month for a period of one year commencing June 1, 2008. The contract was renewed on a month-to-month basis after June 2009.

Pursuant to the flow-through renunciation filed with the Canada Revenue Agency for December 31, 2008, the Company is required to incur additional exploration expenditures of \$200,308 by December 31, 2010.

11. SUPPLEMENTAL CASH FLOW INFORMATION

- (a) Mineral property interests include \$6,300 (2008 - \$Nil) of expenditures in accounts payable and accrued liabilities.
- (b) Non-cash share issue costs of \$41,740 (2008 - \$13,325) were recorded to contributed surplus and non-cash share issue costs of \$25,000 were recorded to capital stock.
- (c) The Company issued 388,100 common shares at a fair value at \$215,090 in exchange for mineral property interests during the year ended April 30, 2009.
- (d) Cash share issue costs of \$183,673 (2008 - \$13,525) were incurred during the year ended April 30, 2009.

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2009 AND 2008

12. MANAGEMENT OF CAPITAL

The Company considers its capital to be all components of shareholders' equity. The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

As the Company is in the exploration stage, its operations have been funded by the issuance of common shares to investors in the past. The Company will continue these financing methods in the future depending upon market and economic conditions at the time.

The Company's capital is not subject to externally imposed capital requirements and its overall strategy remains unchanged from the prior year.

13. SUBSEQUENT EVENTS

- (a) In May 2009, the Company issued 1,525,000 flow-through common shares at \$0.40 per share and 583,000 non-flow-through common shares at \$0.35 per share through private placement. Each flow-through and non-flow-through common share includes one-half share purchase warrant, with respective prices of \$0.60 for flow-through and \$0.50 for non-flow-through in the first and second years.

The Company raised total gross proceeds of \$814,500 from the private placement.

- (b) In July 2009, the Company entered into an agreement with Teck Resources Limited ("Teck") to acquire the Bug Lake and Fortune Lake copper prospects in the Werner Lake Mineral Belt, located in the Kenora Mining District, Ontario.

In consideration, the Company will issue to Teck 25,000 common shares within five days of TSX-V approval. In addition, Teck will retain a 1.5% NSR royalty (with a 0.5% buyout for \$1,500,000) in the Bug Lake and Fortune Lake claims.

- (c) Pursuant to the Norpax Property agreement, 50,000 shares were issued on June 3, 2009.
- (d) The agreement with Commerce was approved on May 4, 2009 by the TSX-V and the balance owing on the purchase (Note 5(d)) was paid by June 30, 2009.