

TAWSHO MINING INC.
(A Development Stage Company)

Interim Financial Statements

Unaudited – prepared by management

Third quarter

For the three and nine months ended September 30, 2009

(The Corporation's Auditors have not reviewed the financial statements for the period ended September 30, 2009)

TAWSHO MINING INC.
(A Development Stage Company)
INTERIM UNAUDITED BALANCE SHEET

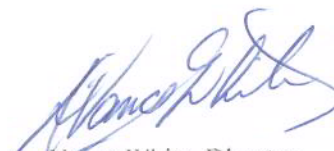
| | September 30, 2009 | December 31, 2008 |
|--|-------------------------|-------------------------|
| ASSETS | | |
| Current | | |
| Term deposits | 2,868,296 | 2,593,837 |
| Cash reserved for exploration (Note 4) | 273,881 | 1,397,180 |
| Mining and commodity tax credits receivable | 538,844 | 797,270 |
| Prepaid expenses | 5,355 | 1,175 |
| | <u>3,686,376</u> | <u>4,789,462</u> |
| Equipment | 1,818 | 1,584 |
| Mining Assets | | |
| Interests in mining properties and deferred exploration expenditures | 3,608,835 | 2,684,799 |
| TOTAL ASSETS | <u>7,297,029</u> | <u>7,475,845</u> |
| LIABILITIES | | |
| Current | | |
| Bank overdraft | 7,726 | - |
| Accounts payable and accrued liabilities | 167,463 | 86,366 |
| | <u>175,189</u> | <u>86,366</u> |
| Future income tax payable | 497,000 | - |
| TOTAL LIABILITIES | <u>672,189</u> | <u>86,366</u> |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 7) | 6,982,872 | 6,982,872 |
| Warrants (Note 8) | 214,895 | 824,625 |
| Contributed Surplus (Note 9) | 1,168,021 | 526,964 |
| Deficit | (1,740,948) | (944,982) |
| TOTAL SHAREHOLDERS' EQUITY | <u>6,624,840</u> | <u>7,389,479</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>7,297,029</u> | <u>7,475,845</u> |

The accompanying notes are an integral part of these unaudited interim financial statements

Going concern (note 2)
Related party transactions (note 11)
Subsequent events (note 14)

Approved on behalf of the Board:


Raymond Savoie, Director


Vance White, Director

TAWSHO MINING INC.

(A Development Stage Company)

INTERIM UNAUDITED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

| | FOR THE 3 MONTHS ENDED | | FOR THE 9 MONTHS ENDED | |
|---|--------------------------------------|--|--------------------------------------|--|
| | September 30, 2009 (Unaudited) | September 30, 2008 (Unaudited - restated) | September 30, 2009 (Unaudited) | September 30, 2008 (Unaudited - restated) |
| REVENUE | | | | |
| Interest | 252 | 26,575 | 6,637 | 64,055 |
| TOTAL REVENUE | 252 | 26,575 | 6,637 | 64,055 |
| Professional fees | 6,509 | 75,818 | 122,970 | 136,111 |
| Office and general | 11,277 | 13,335 | 58,662 | 36,947 |
| Management fees | 6,500 | - | 25,805 | - |
| Share transfer, listing and filing fees | 5,779 | 8,986 | 13,616 | 16,449 |
| Stock-based compensation | 17,716 | 488,882 | 28,738 | 489,149 |
| Management wages | 20,572 | - | 52,414 | - |
| Property write-downs | - | - | 628 | 3,300 |
| Amortization | 117 | 105 | 275 | 105 |
| TOTAL EXPENSES | 68,470 | 587,126 | 303,108 | 682,061 |
| NET LOSS BEFORE INCOME TAXES | (68,218) | (560,551) | (296,471) | (618,006) |
| Future income tax recovery (Note 15) | 83,000 | - | 83,000 | 134,908 |
| NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) | 14,782 | (560,551) | (213,471) | (483,098) |
| DEFICIT, beginning of period | (1,755,730) | (113,761) | (944,982) | (1,921) |
| SHARE ISSUE COSTS (Note 6) | - | (169,361) | (582,495) | (358,654) |
| DEFICIT, end of period | (1,740,948) | (843,673) | (1,740,948) | (843,673) |
| INCOME (LOSS) PER COMMON SHARE: | | | | |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | 22,562,249 | 21,923,265 | 22,562,249 | 19,943,105 |
| NET LOSS PER COMMON SHARE, basic and diluted | 0.0007 | (0.0256) | (0.0095) | (0.0242) |

The accompanying notes are an integral part of these unaudited interim financial statements

TAWSHO MINING INC.
(A Development Stage Company)
INTERIM UNAUDITED STATEMENTS OF CASH FLOWS

| | FOR THE 3 MONTHS ENDED | | FOR THE 9 MONTHS ENDED | |
|--|--------------------------------------|---|--------------------------------------|--|
| | September 30, 2009 (Unaudited) | September 30, 2008 (Unaudited - restated) | September 30, 2009 (Unaudited) | September 30, 2008 (Unaudited - restated) |
| CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | | | |
| Net income (loss) for the period | 14,782 | (560,551) | (213,471) | (483,098) |
| Adjustments for non-cash items: | | | | |
| Stock-based compensation | 17,716 | 488,882 | 28,738 | 489,149 |
| Amortization | 117 | 105 | 275 | 105 |
| Property write-downs | - | - | - | 3,300 |
| Future income tax (Note 15) | (83,000) | - | (83,000) | (134,908) |
| Changes in non-cash working capital balances: | | | | |
| Mining and commodity tax credits receivable | 102,391 | (260,474) | 258,426 | (569,158) |
| Prepaid expenses | 2,295 | 152,777 | (4,180) | (200) |
| Accounts payable and accrued liabilities | (12,340) | 428,692 | 81,097 | (257,845) |
| | 41,961 | 249,431 | 67,885 | (952,655) |
| CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES | | | | |
| Bank overdraft | 7,726 | - | 7,726 | - |
| Proceeds from private share and warrant placements | - | 2,500,000 | - | 3,352,499 |
| Proceeds from warrants exercised | - | 104,000 | - | 104,000 |
| Proceeds from options exercised | - | 37,917 | - | 37,917 |
| Cash acquired on amalgamation with Jardincap Inc. | - | - | - | 136,084 |
| Share issue costs | - | (169,361) | (2,495) | (223,746) |
| | 7,726 | 2,472,556 | 5,231 | 3,406,754 |
| CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES | | | | |
| Interests in mining properties and deferred exploration expenditures | (179,081) | (353,065) | (921,447) | (865,205) |
| Cash reserved for exploration | 629,833 | (1,949,595) | 1,123,299 | (1,555,093) |
| Acquisition of equipment | (509) | (1,404) | (509) | (1,404) |
| | 450,243 | (2,304,064) | 201,343 | (2,421,702) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 499,930 | 417,923 | 274,459 | 32,397 |
| CASH AND CASH EQUIVALENTS, beginning of period | 2,368,366 | 2,523,678 | 2,593,837 | 2,909,204 |
| CASH AND CASH EQUIVALENTS, end of period | 2,868,296 | 2,941,601 | 2,868,296 | 2,941,601 |

The accompanying notes are an integral part of these unaudited interim financial statements

SUPPLEMENTAL INFORMATION

| | | | | |
|---|---|--------|---------|---------|
| Shares issued for exploration costs included in Mining Assets | - | 22,149 | - | - |
| Stock-based compensation included in Mining Assets | - | - | 2,589 | - |
| Tax effect of renunciation of exploration expenses | - | - | 580,000 | 134,908 |
| Income taxes paid | - | - | - | - |
| Interest paid | - | - | - | - |

Cash and cash equivalents consist of:

| | | |
|---------------|-----------|-----------|
| Term deposits | 2,868,296 | 2,941,601 |
|---------------|-----------|-----------|

TAWSHO MINING INC.
(A Development Stage Company)
INTERIM UNAUDITED STATEMENT OF MINING PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES
AS AT SEPTEMBER 30, 2009

| | Total | | Chevriev | | | Other | | | Total | | Chevriev | | Other | |
|---|--------------------------------|----------------|--------------------------------------|----------------|---------------------------------|-------------|----------------------------------|------------------|-------------------------------|------------------|---|----------------|---|---------------|
| | Inception to September 30 2009 | | Three Months ended September 30 2009 | | Three Months ended June 30 2009 | | Three Months ended March 31 2009 | | Inception to December 31 2008 | | Incurred during year ended December 31 2008 | | Incurred during year ended December 31 2007 | |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Audited) | (Audited) | (Audited) | (Audited) | (Audited) | (Audited) |
| PROPERTY ACQUISITION COSTS | | | | | | | | | | | | | | |
| Acquisition, Chevriev | 1,400,000 | - | - | - | - | - | - | - | 1,400,000 | - | - | - | - | - |
| Legal fees | 17,962 | - | - | - | - | - | - | - | 17,962 | 5,175 | 12,787 | - | - | - |
| Permitting | 80,320 | 5,774 | 4,290 | 3,223 | 3,223 | - | - | 67,033 | 31,297 | 35,736 | - | - | - | - |
| Total Acquisition Costs | 1,498,282 | 5,774 | 4,290 | 3,223 | 3,223 | - | - | 1,484,995 | 36,472 | 1,448,523 | - | - | - | - |
| DEFERRED EXPLORATION COSTS | | | | | | | | | | | | | | |
| Drilling | 2,010,231 | 21,250 | 34,388 | 575,987 | - | - | - | 1,378,606 | 1,378,606 | - | - | - | - | - |
| Sampling and assays | 142,413 | 50,489 | 15,143 | 32,033 | - | - | - | 44,748 | 44,748 | - | - | - | - | - |
| Geological | 125,676 | 28,606 | 36,358 | 5,577 | - | - | - | 55,135 | 31,308 | 23,827 | - | - | - | - |
| Geophysical | 315,655 | 51,199 | 25,757 | - | - | - | - | 238,699 | 107,777 | 130,922 | - | - | - | - |
| Line cutting | 26,261 | - | - | - | - | - | - | 26,261 | 26,261 | - | - | - | - | - |
| Environmental | 59,556 | 1,493 | - | 229 | - | - | - | 57,834 | 57,834 | - | - | - | - | - |
| Management and administration | 55,266 | - | 9,552 | 2,418 | - | - | - | 43,296 | 1,821 | 41,475 | - | - | - | - |
| Travel and transport | 10,515 | - | - | - | - | - | - | 10,515 | - | 10,515 | - | - | - | - |
| Property investigation | 59,725 | - | - | - | - | - | 628 | 59,097 | - | - | - | - | - | - |
| Balance before write-downs and tax credits | 2,805,298 | 153,037 | 121,198 | 616,244 | - | - | 628 | 1,914,191 | 1,648,355 | 206,739 | 46,862 | 12,235 | 12,235 | 12,235 |
| Write-downs | (59,725) | - | - | - | - | - | (628) | (59,097) | - | - | (50,162) | (8,935) | (8,935) | - |
| Mining tax credits | (635,020) | 20,270 | - | - | - | - | - | (655,290) | (611,043) | (44,247) | - | - | - | - |
| Total Deferred Exploration Costs | 2,110,553 | 173,307 | 121,198 | 616,244 | - | - | - | 1,199,804 | 1,037,312 | 162,492 | (3,300) | 3,300 | 3,300 | 3,300 |
| Balance at December 31, 2008 | - | - | - | - | - | - | - | 2,684,799 | 1,073,784 | 1,611,015 | (3,300) | (3,300) | (3,300) | 3,300 |
| Balance at September 30, 2009 | 3,608,835 | 179,081 | 125,488 | 619,467 | - | - | - | 1,999,804 | 1,037,312 | 162,492 | (3,300) | (3,300) | (3,300) | 3,300 |

The accompanying notes are an integral part of these unaudited interim financial statements

Tawsho Mining Inc.
(A Development Stage Company)
Notes to the Unaudited Interim Financial Statements
For the nine-month period ended September 30, 2009

1. BASIS OF PRESENTATION

These interim unaudited financial statements of Tawsho Mining Inc. (the "Corporation") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") as they apply to development stage companies. They do not include all of the information and disclosures required by GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these interim unaudited financial statements. Operating results for the period ended September 30, 2009 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2009.

2. NATURE OF OPERATIONS AND GOING CONCERN

The Corporation was created under Articles of Amalgamation in the Province of Ontario, Canada, on May 31, 2008. On that date, the prior Tawsho Mining Inc. ("Tawsho (prior)") and a public company Jardincap Inc. ("Jardincap") amalgamated. For accounting purposes, the Corporation's operations are considered a continuation of Tawsho (prior)'s operations and the resultant successor of the amalgamated companies. Prior to amalgamation, Tawsho (prior) was incorporated in Ontario on November 28, 2006. On May 31, 2008, the Corporation amalgamated with Jardincap and effectively created a publicly listed company on the TSX Venture Exchange ("TSX"), that continues to operate as Tawsho Mining Inc.

On July 28, 2008, the amalgamated Corporation was relisted for trading on the TSX under the symbol TAW. The Corporation, which is in the development stage, with mineral property interests located in Quebec, is engaged in the acquisition, exploration and development of properties for the mining of precious and base metals. The Corporation is accounted for as a development stage company in accordance with accounting guideline "AcG -11" of the Canadian Institute of Chartered Accountants ("CICA") Handbook. The Corporation is in the process of exploring its mining properties for mineral resources and has not determined whether the properties contain economically recoverable reserves.

Going concern

These interim unaudited financial statements have been prepared in accordance with the assumption that the Corporation will continue as a going concern, which is dependent upon its ability to continue to raise financing and to commence profitable operations in the future. The Corporation incurred recurring net losses of \$213,471 for the nine months ended September 30, 2009 and \$483,098 for the nine months ended September 30, 2008. The Corporation has a deficit of \$1,740,948 at September 30, 2009. Management continues to actively pursue additional financing and strive to obtain and thereafter maintain profitable operations to support the validity of the "going concern" assumption. These interim unaudited financial statements do not purport to give effect to adjustments, if any, that may be necessary should the Corporation be unable to continue and, therefore, be required to realize its assets and discharge its liabilities in other than the ordinary course of business. Such adjustments could be material.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Corporation to raise alternative financing, if necessary, or alternatively upon the Corporation's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Corporation are in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant.

Revenue recognition

Interest income is recorded on an accrual basis in accordance with the terms of the underlying financial asset.

Tawsho Mining Inc.
(A Development Stage Company)
Notes to the Unaudited Interim Financial Statements
For the nine-month period ended September 30, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mining assets

The Corporation records its mining assets, which are comprised of cash consideration and fair market value of the shares issued on acquisition of mining assets and deferred exploration costs, at cost less certain recoveries. Exploration costs are capitalized on the basis of specific mining property blocks or areas of geological interest until the mining assets to which they relate are placed into production, sold or allowed to lapse. Management reviews the carrying values of mining assets on a regular basis to determine whether any write-downs are necessary.

These costs will be amortized over the estimated useful life of mining assets following commencement of production or written off if the mining assets or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining assets are expensed as incurred.

The recoverability of amounts recorded under mining properties and deferred exploration expenses is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain the financing needed to complete development, any future profitable production or proceeds from the disposal of these assets. The amounts shown for mining properties and deferred exploration expenses are costs, net of write-offs and tax refunds and do not necessarily indicate present or future values.

Asset retirement obligation

The Corporation will record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mining assets. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to mining assets and deferred exploration costs and is amortized over the useful life of the assets. Management is currently not aware of any existing asset retirement obligations and the Corporation does not currently have any legal obligations relating to the reclamation of its mining assets.

Equipment

Equipment is recorded at cost and is amortized based on the estimated useful lives of the assets using the declining balance method as follows:

| | |
|---------------------|-----|
| Telephone equipment | 20% |
| Computer equipment | 30% |

Current year acquisitions and disposals are recorded at one-half of the above rate in the year of acquisition or disposal.

Flow-through financing

Canadian tax legislation permits the Corporation to issue securities referred to as flow-through shares whereby the Corporation assigns the tax deductions arising from the related resource expenditures to the investors. When resource expenditures are renounced in favour of the investors and the Corporation has reasonable assurance that the expenditures will be made, a future income tax liability is recognized and equity is reduced by decreasing retained earnings.

The Corporation indemnifies the subscribers of flow-through shares from any tax consequences arising from the failure of the Corporation to meet its commitments under the flow-through subscription agreements.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid short-term bank balances and investments in money market instruments with original maturities of three months or less. The Corporation invests cash in term deposits maintained in high credit quality institutions.

Tawsho Mining Inc.
(A Development Stage Company)
Notes to the Unaudited Interim Financial Statements
For the nine-month period ended September 30, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive income (loss) and deficit

Section 1530 of the CICA Handbook establishes standards for reporting and presentation of comprehensive income. Under this new standard, a new statement, the Statement of Comprehensive Income (Loss), has been introduced that will allow certain gains and losses arising from changes in fair value, to be temporarily recorded outside of the income statement. Comprehensive income (loss), composed of net income (loss) and other comprehensive income (loss), is defined as the change in shareholder's equity from transactions and other events from non-owner sources. The application of this standard did not result in comprehensive loss being different from net loss for the periods presented. Should the Corporation recognize any other comprehensive income (loss) in the future, the cumulative changes in other comprehensive loss would be recognized in Accumulated Other Comprehensive Loss, which would be presented as a new category within shareholder's equity on the balance sheet.

Financial Instruments – recognition and measurement, disclosure and presentation

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial assets and financial liabilities, including derivatives, are measured at fair value, except for loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized cost. Measurement in subsequent periods depends on whether the financial instrument had been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Held-for-trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the assets are removed from the balance sheet. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met in accordance with Section 3865 which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

The Corporation has elected to apply the following classifications to each of its significant categories of financial instruments:

| <u>Asset/Liability</u> | <u>Category</u> | <u>Measurement</u> |
|---|-----------------------|--------------------|
| Cash and cash equivalents | Held for trading | Fair value |
| Cash reserved for exploration | Held for trading | Fair value |
| Bank overdraft | Held for trading | Fair value |
| Mining and commodity tax credits receivable | Loans and receivables | Amortized cost |
| Accounts payable and accrued liabilities | Other liabilities | Amortized cost |

Tawsho Mining Inc.
(A Development Stage Company)
Notes to the Unaudited Interim Financial Statements
For the nine-month period ended September 30, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of the unaudited interim financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates. Examples of significant estimates include:

- Recoverability of investments in mining assets
- Estimated useful lives of equipment
- Future costs associated with environmental remediation and site restoration matters
- Fair value of financial instruments
- Valuation of tax accounts
- Valuation of stock-based compensation

These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as an assumption about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

Impairment of long-lived assets

When events or changes in circumstances indicate the carrying amount of a long-lived asset may not be recoverable, an impairment loss is recognized when the carrying amount of those assets exceeds the sum of the undiscounted future cash flows related to them. The impairment loss is included in the statements of operations and comprehensive loss and the carrying value of the asset is reduced to its fair value as determined by the sum of the discounted future cash flows related to those assets. There was no impairment loss recognized for the period ended September 30, 2009.

Non-monetary transactions

Transactions in which shares or other non-cash consideration are exchanged for assets or services are measured at the fair value of the assets or services involved in accordance with Section 3830 ("Non-monetary Transactions") of the CICA Handbook.

Income taxes

The Corporation follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future tax benefit is taken and no net asset is recognized.

Stock-based compensation

The Corporation has a stock option plan. The fair value method of accounting is used to account for stock options granted to directors, officers, and employees whereby the weighted average fair value of options granted is recorded as a compensation expense in the financial statements. Compensation expense is based on the estimated fair value at the time of the grant and recognized over the vesting period of the option. Upon exercise of the options, the amount of the consideration paid together with the amount previously recorded in contributed surplus is recorded as an increase in share capital.

Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. As at September 30, 2009, all outstanding convertible securities have been excluded from diluted loss per share calculations as they are all anti-dilutive.

Tawsho Mining Inc.
(A Development Stage Company)
Notes to the Unaudited Interim Financial Statements
For the nine-month period ended September 30, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards

(a) Goodwill and Intangible Assets

The CICA issued a new accounting standard, section 3064, "Goodwill and Intangible Assets." This section replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs." Section 3064 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. The new section will be applicable to financial statements relating to annual and interim financial periods beginning on or after October 1, 2008. Accordingly, the Corporation adopted the new standards for its fiscal year beginning January 1, 2009. The adoption of this new standard did not have an impact on the Corporation's interim financial statements.

(b) General Standards of Financial Statement Presentation

The CICA has amended Section 1400, "General Standards of Financial Statement Presentation" which is effective for annual and interim financial periods beginning on or after October 1, 2008 to include requirements to assess and disclose the Corporation's ability to continue as a going concern. Accordingly, the Corporation adopted the new standards for its fiscal year beginning January 1, 2009. The adoption of this new standard did not have an impact on the Corporation's interim unaudited financial statements.

(c) Impairment Testing of Mineral Exploration Properties, Emerging Issues Committee 174

On March 27, 2009, the CICA approved EIC-174 "Mining Exploration Costs." This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. This standard was adopted by the Corporation effective March 27, 2009.

Future Accounting Changes

In February 2008, the Accounting Standards Board ("AcSB") confirmed that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for the interim and annual financial statements relating to fiscal years beginning on January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010.

Consolidations and Non-controlling Interests

In January 2009, the CICA issued Section 1601, "Consolidated Financial Statements" and Section 1602 "Non-controlling Interests" to replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards of accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of the International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements." These standards are effective for interim and annual financial statements beginning on or after January 1, 2011, which for the Corporation is January 1, 2011. The Corporation has not yet determined the impact of the adoption of these sections on its financial statements.

Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations". This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period of the Corporation beginning on or after January 1, 2011, which for the Corporation is January 1, 2011. Early adoption is permitted. This section replaces Section 1581, "Business Combinations" and harmonizes the Canadian standards with international financial reporting standards ("IFRS"). The Corporation has not yet determined the impact of the adoption of this section on its financial statements.

Tawsho Mining Inc.
(A Development Stage Company)
Notes to the Unaudited Interim Financial Statements
For the nine-month period ended September 30, 2009

4. CASH RESERVED FOR EXPLORATION

Funds reserved for exploration in the amount of \$273,881 (2008 - \$1,397,180) are comprised of short term investments and represent proceeds of flow through financing. According to restrictions imposed on these funds, the Corporation has to spend these funds on the exploration of mining properties. Included in accounts payable and accrued liabilities at September 30, 2009 are amounts totaling \$113,385 eligible for payment from these reserve funds. In addition, the Corporation is committed to spend approximately \$85,000 by December 31, 2009 on work to obtain the National Instrument 43-101 certification. This would effectively reduce the reserve funds to \$75,496. The Corporation is committed to use these funds prior to December 31, 2009.

5. MINING ASSETS

Chevrier Property

The Chevrier Property consists of 557 contiguous mining claims where the Corporation has a 100% interest in 515 of them, all located in the townships of Queylus, Hauy, Fancamp and La Dauversiere in the Province of Quebec. Some of these claims are subject to royalties on net profit interests and net smelter returns.

6. SHARE ISSUE COSTS

During the nine-month period ended September 30, 2009, share issue costs of \$582,495 were reported, of which \$2,495 were actually incurred and the remaining \$580,000 represents the estimated future tax effect of the renunciation of exploration expenditures in favour of flow-through shareholders.

7. SHARE CAPITAL

Authorized

Unlimited Class A common shares
 Unlimited Preferred shares

Issued

Common shares

Outstanding common shares at December 31, 2008 and September 30, 2009

| # | \$ |
|------------|-----------------|
| 22,562,249 | \$ 6,982,872.00 |

Stock Options

The Corporation maintains a Stock option Plan (the "Plan") for the benefit of officers, directors, employees and technical consultants. The aggregate number of common shares reserved for issuance with respect to the Plan cannot exceed 10% of the issued and outstanding shares of the Corporation. Options pursuant to the Plan are granted at the discretion of the Board of Directors.

On February 25, 2009, the Corporation, under the Plan, granted 200,000 options to an officer and 100,000 to a director. The 200,000 options granted to an officer were cancelled on July 6, 2009. The remaining 100,000 options granted to a director carry a five year term with an exercise price of \$0.20. Of these options, 50,000 will vest on the first anniversary of the grant and the remaining 50,000 will vest on the second anniversary of the grant.

On July 31, 2009, the Corporation, under the Plan, granted 50,000 options to an officer. These options carry a five year term with an exercise price of \$0.20. Of these options, none vested at grant date, 25,000 vest on the first anniversary of grant date, and the remaining 25,000 will vest on the second anniversary of the grant date.

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7. SHARE CAPITAL (continued)

Stock Options (continued)

| | Number of options | Exercise price | Expiry date |
|---|-------------------------|-------------------|-------------------|
| Summary of options | | | |
| Options granted to Jardincap's past director | 16,852 | \$ 0.45 | April 11, 2012 |
| Options granted to directors | 1,215,000 | \$ 1.00 | July 31, 2013 |
| Options granted to technical consultants | <u>150,000</u> | \$ 1.00 | August 15, 2013 |
| Outstanding options at December 31, 2008 | 1,381,852 | | |
| Options granted to director | 100,000 | \$ 0.20 | February 25, 2014 |
| Options granted to officer | <u>200,000</u> | \$ 0.20 | February 25, 2014 |
| Outstanding options at June 30, 2009 | 1,681,852 | | |
| Options granted to officer | 50,000 | \$ 0.20 | July 31, 2014 |
| Options granted to officer cancelled July 6, 2009 | (200,000) | | |
| Options granted to Jardincap's past director expired July 28, 2009 | (16,852) | | |
| Options granted to consultant expired Sept 28, 2009 | <u>(50,000)</u> | | |
| Outstanding options at September 30, 2009 | <u>1,465,000</u> | | |
| Exercisable options at September 30, 2009 | <u><u>1,181,667</u></u> | | |

The fair value of each option granted in 2009 was estimated on the date of the grant using Black Scholes option pricing model using the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 100%; (iii) risk-free interest rate of 1.50%; and (iv) expected average life of 2.5 years. This generated an additional estimated stock-based compensation expense of \$11,000 over the life of the new options granted.

On November 5, 2009, 80,000 stock options were issued to a director. These options vest immediately, have an exercise price of \$0.185 and an expiry date of November 5, 2014. (Note 14 – Subsequent Events).

Stock-based compensation

The fair value of stock-based compensation charged to contributed surplus for the nine months ended September 30, 2009 was \$31,327 (2008 - \$nil). Pursuant to the Plan, the total stock-based compensation expense relating to options granted to non-employees was \$28,738 (2008 - \$nil). The fair value of stock-based compensation relating to non-employees in the amount of \$2,589 (2008 - \$nil) was recorded as Mining Assets.

The fair value of options granted during the nine months ended September 30, 2009 has been estimated in accordance with Section 3870 of the CICA Handbook.

The Corporation has assumed no forfeiture rate as adjustments for actual forfeitures are made in the period they occur. 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 estimates. The weighted-average fair value of options issued during the nine months ended September 30, 2009 was \$0.08.

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8. WARRANTS

The warrants issued by the Corporation are subscription rights to common shares.

| | <u>#</u> | <u>\$</u> |
|--|----------------|----------------|
| Outstanding warrants at December 31, 2008 | 7,389,751 | 824,625 |
| Warrants expired on February 1, 2009 | (3,180,000) | (38,160) |
| Warrants expired on May 9, 2009 | (3,270,500) | (542,903) |
| Warrants expired on June 30, 2009 | (263,001) | (28,667) |
| Outstanding warrants at September 30, 2009 | <u>676,250</u> | <u>214,895</u> |

The following table summarizes the components of issued and outstanding warrants as at September 30, 2009:

| | <u>Price</u> | <u>#</u> | <u>\$</u> |
|--|--------------|----------------|----------------|
| Expiring: | | | |
| May 29, 2010 | \$ 1.25 | 426,250 | 136,400 |
| July 18, 2010 | \$ 1.25 | 250,000 | 78,495 |
| Outstanding warrants at September 30, 2009 | | <u>676,250</u> | <u>214,895</u> |

9. CONTRIBUTED SURPLUS

The following table summarizes contributed surplus for the nine months ended September 30, 2009:

| | |
|--|---------------------|
| Balance at December 31, 2008 | \$ 526,964 |
| Stock-based compensation | 31,327 |
| Transfer value of warrants expired on February 1, 2009 | 38,160 |
| Transfer value of warrants expired on May 9, 2009 | 542,903 |
| Transfer value of warrants expired on June 30, 2009 | <u>28,667</u> |
| Balance at September 30, 2009 | <u>\$ 1,168,021</u> |

10. INCOME TAXES

For accounting purposes, future income taxes of \$580,000 became payable on February 28, 2009 when the Corporation's exploration expenses were renounced in favour of their flow-through shareholders with a corresponding increase to the Corporation's deficit as a share issue cost.

11. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2009, the following transactions occurred:

- a) Included in management fees is an amount of \$15,000 (2008 - \$nil) paid to a Corporation wholly owned by a director and \$19,500 (2008 - \$nil) paid to a Corporation wholly owned by a relative of a director
- b) Management wages totaling \$58,503 (2008 - \$nil) were paid to an officer
- c) Included in deferred mining exploration costs are amounts totaling \$1,602 (2008 - \$nil) paid to an officer

Related party transactions are in the normal course of business and are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

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12. FINANCIAL INSTRUMENTS

Fair value

Canadian generally accepted accounting principles require that the Corporation disclose information about the fair value of its financial assets and liabilities. Fair value estimates of financial assets and liabilities are made at the balance sheet date, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts of cash and cash equivalents, cash reserved for exploration, mining and commodity tax credits receivable, bank overdraft and accounts payable and accrued liabilities approximate fair value because of the limited term of these instruments.

Interest rate risk

The Corporation has cash balances and no interest bearing debt. The Corporation's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Corporation monitors its investments and is satisfied with the credits ratings of its banks.

Credit risk

Credit risk is the risk that that a client or vendor will be unable to pay or receive any amounts owned or owing by the Corporation. Management's assessment of the Corporation's credit risk is low as it is primarily attributable to funds held in Canadian banks and commodity taxes recoverable from the Government of Canada.

Commodity price risk

The future profitability of the Corporation is indirectly related to the market price of metals, particularly gold.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. There can be no assurance that the Corporation will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Any equity offering will result in dilution to the ownership interests of the Corporation's shareholders and may result in dilution to the value of such interests. The Corporation intends to fulfill all of its financial obligations as they come due.

Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Corporation is exposed to these risks as the ability of the Corporation to develop or market its properties and the future profitability of the Corporation is related to the market price of certain metals.

Capital risk

The Corporation manages its capital to ensure that there are adequate capital resources for the Corporation to maintain and explore its mineral properties. The capital structure of the Corporation consists of cash, cash equivalents and capital stock.

Foreign currency risk

As at September 30, 2009, the Corporation did not hold any balances in foreign currencies that would give rise to exposure to foreign exchange risk.

13. CAPITAL MANAGEMENT

The Corporation's objective in managing capital is to ensure sufficient liquidity to support the acquisition, development and exploration of mining properties and maintain the necessary corporate and administrative functions to facilitate these activities. The Corporation defines capital that it manages as the aggregate of its shareholders' equity, which consists of issued shares, contributed surplus, warrants outstanding and deficit.

The Corporation manages and adjusts its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Corporation's working capital requirements to support the acquisition and exploration of mining assets. In order to maintain or adjust the capital structure, the Corporation, upon approval from its Board of Directors, may issue shares, repurchase shares and pay dividends. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business. The Board of Directors reviews and approves any material transactions not in the ordinary course of business which may include various acquisition proposals, as well as capital and operating budgets.

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13. CAPITAL MANAGEMENT (continued)

The property in which the Corporation currently has an interest is in the exploration stage; as such, the Corporation, is dependent on external financing to fund its activities. In order to carry out planned exploration and pay for administrative costs, the Corporation will spend its existing working capital and raise additional amounts as needed. The Corporation will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geological 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 Corporation, is reasonable.

There were no changes in the Corporation's approach to capital management during the period ended September 30, 2009.

The Corporation is not subject to externally imposed capital requirements.

14. SUBSEQUENT EVENTS

New stock options issued

On November 5, 2009, 80,000 stock options were issued to a director. These options vest immediately, have an exercise price of \$0.185 and an expiry date of November 5, 2014.

Contractor hired to complete the National Instrument 43-101 report

In October 2009, the Corporation hired a contractor to complete the National Instrument 43-101 report on the Chevrier Property. The estimated cost of the project is \$150,000 and the expected completion date is February 2010.

15. ERROR CORRECTIONS

The financial statements for the Third Quarter have been restated to correct an error in future income tax payable and net income and comprehensive income at March 31, 2009. The future income tax recovery was erroneously booked at \$325,000. The Corporation determined that the future income tax recovery should be recorded at \$83,000 with a corresponding increase in future income tax liability from \$255,000 at March 31, 2009 to \$497,000 in the corrected Third Quarter financial statements.

The Company also determined that, at June 30, 2009, the tax effect of the renunciation of exploration expenditures in the amount of \$580,000 was included in the statement of cash flows in error. The correction of the error resulted in a reduction of cash flows from operating activities from \$605,924 to \$25,924 at June 30, 2009. The correction of the error did not have an impact on net loss, comprehensive loss or net loss per common share.

16. COMPARATIVE INTERIM INFORMATION

Certain comparative figures have been reclassified from financial statements previously presented to conform to the current presentation.