ELY GOLD & MINERALS INC.
(formerly Ivana Ventures Inc.)
(An Exploration Stage Company)

Consolidated Financial Statements
March 31, 2009 and 2008

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Management’s Responsibility for Financial Reporting

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3) (a), we report that the accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

The interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management’s best estimates and judgment based on information currently available.

Management has developed and is maintaining a system of internal controls to ensure that the Company’s assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the audit and the annual and interim financial statements prior to their submission to the Board of Directors for approval.

“Stephen Kenwood” (signed)

Stephen Kenwood
President

May 31, 2009

Ely Gold & Minerals Inc.
(formerly Ivana Ventures Inc.)
(An Exploration Stage Company)
Consolidated Balance Sheets

	March 31 2009	December 31 2008 (note 16)
Assets		
Current		
Cash	$ 212,828	$ 636,333
Short-term investments	1,069,715	2,320,831
Marketable securities (note 7)	11,031	12,217
Amounts receivable	58,084	54,623
Prepaid expenses	49,409	35,663
	1,401,067	3,059,667
Equipment (note 8)	2,589	5,754
Mineral Property Interests (note 9)	8,540,959	8,293,238
	$ 9,944,615	$ 11,358,659
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 162,223	$ 137,270
Current portion of other liabilities (note 10)	1,260,200	1,224,600
	1,422,423	1,361,870
Other Liabilities (note 10)	2,729,214	3,763,526
Future Income Tax (note 13)	1,572,261~~0~~	1,526,512
	5,723,898~~7~~	6,651,908
Shareholders' Equity		
Share Capital (note 11)	18,561,078	18,561,078
Accumulated Other Comprehensive Income	(69,913)	(68,727)
Contributed Surplus	2,083,564	2,054,665
Deficit	(16,354,012)	(15,840,265)
	4,220,717	4,706,751
	$ 9,944,615	$ 11,358,659

Going Concern (note 2)
Contingency (note 14)

Approved on behalf of the Board:

"Ronald Husband"
………………………………………………………….. Director
Ronald Husband

"Stephen Kenwood"
………………………………………………………….. Director
Stephen Kenwood

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

Ely Gold & Minerals Inc.
(formerly Ivana Ventures Inc.)
(An Exploration Stage Company)
Consolidated Statements of Operations and Comprehensive Loss

For the three months ended March 31

	2009	2008 (note 16)
Expenses		
Travel and promotion	$ 79,114	$ 84,680
Consulting	55,319	53,293
Stock-based compensation (note 11(d))	28,899	67,935
Professional fees	20,410	11,040
Rent	16,800	16,800
Office supplies and services	6,780	6,397
Transfer agent, listing and filing fees	7,729	12,544
Insurance	6,810	-
Telecommunications	645	794
Amortization	3,165	-
Loss Before Other Items	225,671	253,483
Other Items		
Interest income	9,168	25,983
Interest expense	(115,020)	(34,545)
Write down of mineral property interest	-	-
Foreign exchange loss	(182,224)	(257,640)
Mineral property investigation	-	-
	(288,076)	(266,202)
Net Loss for Year	$ 513,747	$ 519,685
Basic and Diluted Loss Per Share	$ 0.01	$ 0.01
Weighted Average Number of Common Shares Outstanding	39,169,912	39,071,011
Other Comprehensive Loss		
Net loss for the year	$ 513,747	$ 519,685
Unrealized loss on marketable securities	1,186	-
Comprehensive Loss	$ 514,933	$ 519,685

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

Ely Gold & Minerals Inc.
(formerly Ivana Ventures Inc.)
(An Exploration Stage Company)
Consolidated Statements of Shareholders' Equity

	Share Capital		Contributed	Subscriptions		Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Surplus	Receivable	Deficit	Income	Equity
Balance, December 31, 2007	39,019,912	18,486,078	1,159,775	(134,000)	(13,432,435)	-	6,079,418
Shares issued during the year							
For acquisition of mineral property interests (note 4)	150,000	75,000	672,600	-	-	-	747,600
Amounts received for subscriptions receivable	-	-	(3,056)	134,000	-	-	130,944
Stock-based compensation (note 11(d))	-	-	225,346	-	-		225,346
Net loss for the year	-	-	-	-	(2,407,830)	-	(2,407,830)
Unrealized loss on marketable securities	-	-	-	-	-	(68,727)	(68,727)
Balance, December 31, 2008	39,169,912	$ 18,561,078	$ 2,054,665	-	$ (15,840,265)	$ (68,727)	$ 4,706,751
Shares issued during the year							
For acquisition of mineral property interests	-	-	-	-	-	-	-
Amounts received for subscriptions receivable	-	-	-	-	-	-	-
Stock-based compensation (note 11(d))	-	-	28,899	-	-		28,899
Net loss for the year	-	-	-	-	-	-	-
Unrealized loss on marketable securities	-	-	-	-	(513,747)	(1,186)	(514,933)
Balance, March 31, 2009	39,169,912	$ 18,561,078	$ 2,083,564	-	$ (16,354,012)	$ (69,913)	$ 4,220,717

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

Ely Gold & Minerals Inc.
(formerly Ivana Ventures Inc.)
(An Exploration Stage Company)
Consolidated Statements of Cash Flows

For the three months ended March 31,

	2009	2008
		(note 16)
Operating Activities		
Net loss for the year	$ 513,747	$ 519,685
Items not involving cash		
Amortization	3,165	-
Stock-based compensation	28,899	67,935
Unrealized foreign exchange loss	178,348	262,389
Write-down of mineral property interests	-	-
Non-cash interest expense	115,020	34,545
Changes in non-cash working capital		
Marketable securities	1,186	-
Amounts receivable	(3,461)	(13,246)
Prepaid expenses	(13,746)	6,554
Accounts payable and accrued liabilities	(43,043)	(5,118)
Cash Used in Operating Activities	(247,377)	(166,627)
Investing Activities		
Redemption of (investment in) short-term investments	1,251,116	6,554
Expenditures on mineral property interests	(179,725)	(10,917)
Cash paid and direct costs for acquisition of business	(1,247,520)	(1,618,683)
Purchase of equipment	-	(7,764)
Funds held in trust	-	1,482,150
Cash Used in Investing Activities	(176,129)	(148,660)
Financing Activities		
Common shares issued for cash	-	-
Receipt of subscriptions receivable	-	50,000
Cash Provided by Financing Activities	-	50,000
Increase (Decrease) in Cash	(423,505)	(265,286)
Cash, Beginning of Year	636,333	1,617,741
Cash, End of Year	$ 212,828	$ 1,352,455
Supplemental Cash Flow Information		
Interest received	$ 3,509	$ 10,982
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Expenditures on mineral property interest included in accounts payable and accrued liabilities	$ 67,996	$ 5,496

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

1. NATURE OF BUSINESS

Ely Gold & Minerals Inc. (formerly Ivana Ventures Inc.) (the "Company" or "Ely") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on May 10, 1996. Since 2004 its principal business activity has been the acquisition, exploration and development of mineral properties.

Effective June 20, 2008, the Company changed its name to Ely Gold & Minerals Inc. from Ivana Ventures Inc. and the Company's shares commenced trading on the TSX Venture Exchange under the ticker symbol "ELY".

2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Several adverse conditions cast substantial doubt on the validity of this assumption. The Company has incurred significant operating losses over the past several fiscal years, is currently unable to self-finance operations, has working capital of ($21,356) (2008 - $3,280,673), an accumulated deficit of $16,354,012 (2008 - $13,952,120), significant obligations, limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its mineral property interests. The Company's current working capital may not be sufficient to meet its commitments and continue exploration work on its mineral property interests in 2009.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and the continued financial support from its creditors and shareholders. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. There can be no assurance that management's plan will be successful.

If the going concern assumption were not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

The business of mining and exploration 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 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 its mineral property interests.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in Canada and follow the same accounting policies and methods consistent with those used in preparation of the most recent annual audited financial statements except as noted below. The interim financial statements do not include all information and note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2008.

(a) Future changes in accounting policies

(i) Amendments to Section 1400 – Going Concern

CICA Section 1400, "General Standards of Financial Statement Presentation", was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. When financial statements are not prepared on a going concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern. The new requirements are effective for the Company for interim and annual financial statements beginning January 1, 2009. The Company is currently evaluating the impact of this new standard.

(ii) 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 effective date for the Company is for interim and annual financial statements relating to the Company's fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the period ended December 31, 2010. 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.

(iii) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Business Combinations (Continued)

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

(iv) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On January 20, 2009, the Emerging Issues Committee ("EIC") of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-173. The Company will adopt this recommendation in its fair value determinations effective during the year ended December 31, 2009.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Future changes in accounting policies (Continued)

(v) Mining Exploration Costs

In March 2009, the EIC issued EIC-174, “Mining Exploration Costs”, which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC-174 also provides additional discussion on recognition for long-lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-174. The Company will adopt this recommendation in its fair value determinations effective during the year ended December 31, 2009.

4. BUSINESS COMBINATION

On February 28, 2008, the Company acquired 100% of the issued and outstanding common shares of DHI, which owns 100% of the shares of DHI US pursuant to an Arrangement Agreement with Augusta Resources Ltd. dated November 15, 2007. DHI US is the owner of a 100% interest in each of the Mount Hamilton property, the Shell property and the Monte Cristo property (note 9). The results of operations of DHI and DHI US have been included in the consolidated financial statements since February 28, 2008. The price of the acquisition is US $6,625,000 plus the issuance of 3,000,000 share purchase warrants with an exercise price of CDN $0.50, exercisable for 18 months from the date of the agreement. During the year ended December 31, 2007, the Company advanced US $1,500,000 ($1,482,150) as a down payment, which was applied to initial payment for the acquisition. Payment for the acquisition is to be made over a five-year period as follows:

Upon signing	US $1,625,000 (paid)
First Anniversary of the Agreement	US $1,000,000 (paid)
Second Anniversary	US $1,000,000
Third Anniversary	US $1,000,000
Fourth Anniversary	US $1,000,000
Fifth Anniversary	US $1,000,000
	US $6,625,000

The fair value share purchase warrants granted were calculated using the Black-Scholes option pricing model using the following assumptions: expected life 1.5 years; annualized volatility 94.2%; interest rate of 2.97% and no dividends. The Company also issued 150,000 shares at a fair value of $0.50 as a finder's fee for the acquisition.

The acquisition was accounted for using the purchase method of accounting, with Ely being identified as the acquirer and DHI as the acquiree. In accordance with the purchase method of accounting, the purchase consideration $6,035,199 is allocated to the fair value of the underlying assets acquired and liabilities assumed based on their fair value at the date of acquisition. Total consideration of $6,035,199 is as follows:

Cash payments ($1,625,000 US)	$	1,592,175
Payable to Augusta Resources Ltd. (discounted at 10.47%)		3,668,916
Direct costs		26,508
Warrants and shares issued		747,600
Total consideration	$	6,035,199

4. BUSINESS COMBINATION (Continued)

The allocation of the purchase price to assets and liabilities acquired is as follows:

Mineral property interests	$	7,529,313
Future income tax		(1,494,114)
	$	6,035,199

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company classified its cash and short-term investments as held-for-trading; marketable securities as available-for-sale, funds held in trust and amounts receivable as loans and receivable, and accounts payable and accrued liabilities and other liabilities as other financial liabilities.

The carrying values of cash, short-term investments, funds held in trust, amounts receivable, 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

The Company manages credit risk, in respect of cash and short-term investments by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution. In regards to amounts receivable, the Company is not exposed to significant credit risk as they are due from governmental agencies.

Concentration of credit risk exists with respect to the Company's cash and short-term investments as all amounts are held at a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

		March 31 2009		December 31 2008
Bank accounts	$	212,828	$	636,333
Short-term investments				
GICs		1,069,715		2,320,831
Total	$	1,282,543	$	2,957,164

The Company's short-term investments consist of a GIC, which currently earns interest at 1.95% and matures on December 22, 2009. The credit risk is minimized substantially by ensuring that these financial assets are placed with major financial institutions with strong investment-grade ratings by a primary ratings agency.

5. RISK MANAGEMENT AND 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's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company maintains sufficient cash and short-term investments at March 31, 2009 in the amount of $212,828 and $1,069,715, respectively, in order to meet short-term business requirements. At March 31, 2009, the Company had accounts payable and accrued liabilities of $162,223 and total other liabilities of $3,989,414. Other than the amounts payable to Augusta (note 4), these amounts are payable within 60 days.

(c) Market risk

Market risk is the risk that the fair value or 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 short-term investments are held in bank accounts and GICs that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2008. Future cash flows from interest income on cash and short-term investments will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

(ii) Foreign currency risk

The Company incurs expenditures in Canada and the US. The functional and reporting currency of the Company is the Canadian dollar. Foreign exchange risk arises because the amount of the US dollar cash and payables will vary in Canadian dollar terms due to changes in exchange rates.

As the Company's expenditures on mineral property interest are in US dollars the Company has some cash in US dollars. The Company has not hedged its exposure to currency fluctuations.

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Foreign currency risk (Continued)

At March 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	March 31 2009	December 31 2008
Held-for-trading (1)	$ -	$ 340,536
Available-for-sale (2)	3,700	6,710
Other financial liabilities (3)	(4,053,500)	(5,052,804)
Total	$ (4,057,200)	$ (4,705,558)

(1) Includes cash and short-term investments
(2) Includes marketable securities
(3) Includes accounts payable and payable to Augusta Resources Ltd.

Based on the above net exposures as at March 31, 2009, a 10% change in the Canadian/US exchange rate will impact the Company's earnings by approximately $400,000.

(iii) Other price risk

Other price risk is the risk that the fair 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 currency risk. The Company is exposed to changes in the market prices of commodities, which have experienced wide fluctuations in recent years.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world price of gold, and to a lesser degree based on current exploration projects for base and other precious metal prices. These commodity prices have fluctuated widely in recent years. There is no assurance that even as commercial quantities of these natural resources may be produced in the future, a profitable market will exist for them.

A decline in the market price of these commodities may have a material adverse effect on the Company's value. As of December 31, 2008, the Company was not a producer of gold or other commodities. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants, which may affect the Company's liquidity and its ability to meet ongoing obligations.

6. CAPITAL MANAGEMENT

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its mineral property interests contain economically recoverable reserves of ore and currently has not earned any revenues from its mineral properties and, therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. 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 to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing due to uncertain economic conditions. The Company believes that it has sufficient funds to meet its commitments and to fund its working capital for the coming year.

There have been no changes to the Company's approach to capital management during the year.

7. MARKETABLE SECURITIES

The Company's investments have been classified as available-for-sale and consist of the following:

	March 31 2009		December 31 2008	
	Book Value	Market Value	Book Value	Market Value
Melco China Resorts Holding Ltd.				
100,000 common shares	$ 65,000	$ 6,500	$ 65,000	$ 4,000
Citigroup Inc.				
1,000 common shares	15,944	4,531	15,944	8,217
	$ 80,944	$ 11,031	$ 80,944	$ 12,217

8. EQUIPMENT

			March 31 2009	December 31 2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$ 2,496	$ (1,626)	$ 870	$ 1,935
Computer software	5,268	(3,549)	1,719	3,819
	$ 7,764	$ 5,175	$ 2,589	$ 5,754

9. MINERAL PROPERTIES

	Mt. Hamilton	Shell	Monte Cristo	Gold Range	Total
Balance, December 31, 2007	$ -	$ -	$ -	$ -	$ -
Acquisition costs	122,390	119,916	-	62,784	305,090
Acquired in business combination (note 4)	3,265,451	3,991,106	-	-	7,256,557
	3,387,841	4,111,022	-	62,784	7,561,647
Deferred exploration costs					
Claims	12,125	-	-	8,122	20,247
Camp and exploration support	13,666	-	-	-	13,666
Drilling	278,568	-	-	-	278,568
Geological	351,361	-	27,519	-	378,880
Travel	39,272	-	958	-	40,230
Total deferred exploration costs for the year	694,992	-	28,477	8,122	731,591
Balance, December 31, 2008	$ 4,082,833	$ 4,111,022	$ 28,477	$ 70,906	$ 8,293,238

9. MINERAL PROPERTIES (Continued)

	Mt. Hamilton	Shell	Monte Cristo	Gold Range	Total
Balance, December 31, 2008	$ 4,082,833	$ 4,111,022	$ 28,477	$ 70,906	$ 8,293,238
Acquisition costs	-	-	30,250	-	30,250
	-	-	30,250	-	30,250
Deferred exploration costs					
Claims	-	-	-	-	-
Camp and exploration support	4,496	-	-	-	4,496
Drilling	3,104	-	-	-	3,104
Geological	206,365	-	-	-	206,365
Travel	3,506	-	-	-	3,506
Total deferred exploration costs for the year	217,470	-	-	-	217,471
Balance, March 31, 2009	$ 4,300,303	$ 4,111,022	$ 58,727	$ 70,906	$ 8,540,959

9. MINERAL PROPERTIES (Continued)

(a) Mount Hamilton property, Nevada

The Mount Hamilton property is subject to minimum advance royalty payments of US $100,000 per year until November 19, 2010 when the minimum royalty payments increase to US $300,000 per annum. Upon commencement of commercial production, a base rate of 3% net smelter returns royalty ("NSR") is payable, subject to an increase whenever the price of gold is greater than $400 per ounce. The NSR shall increase by one-half of 1% for each US $50 increment to a maximum of 8% NSR. Of the NSR, 1.5% can be bought down at any time for $2,000,000. .

(b) Shell property, Nevada

The Shell deposit is located near the Mount Hamilton property. The Shell property is subject to minimum advance royalty payments starting with US $80,000 on the first anniversary (March 20, 2006 – paid by DHI) and increasing by US $20,000 per annum until production commences.

(c) Monte Cristo property, Nevada

The Monte Cristo property in White Pine County, Nevada, is adjacent to the Mount Hamilton and Shell properties. The Monte Cristo property is subject to minimum advance royalty payments of US $25,000, which are due on January 30 of each year.

(d) Gold Range property, Nevada

During the year ended December 31, 2008, the Company entered into a lease agreement with Gold Range Company ("Gold Range") of Carson, Nevada, for certain mineral claims located in White Pine County, Nevada. The claims are in close proximity to the Company's Mount Hamilton and Shell properties. The agreement provides Ely with the right to explore, develop and mine the property and is subject to a payment of US $60,000 (paid) upon signing of the Agreement and advance minimum advance royalty payments as follows:

First Anniversary of the Agreement	US $ 70,000
Second Anniversary	US $100,000
Third Anniversary	US $150,000
Fourth Anniversary	US $150,000
Fifth Anniversary and thereafter	US $200,000

The Company has the ability to pay up to one-half of the annual advance minimum royalty payments under the lease in Company shares, as may be agreed upon from time to time, at a price equal to the average closing price of the Company's shares over the 15 business days preceding the due date of the advance royalty payment. No shares will be issued at a price less than $0.22 per share.

9. MINERAL INTERESTS (Continued)

(d) Gold Range property, Nevada (Continued)

The Company shall pay to Gold Range a production royalty of 2.75% of NSR in respect of all products other than gold and silver produced from the property. For gold and silver, the royalty will be a minimum of 2.5% of NSR and will increase 0.25% for each $50 increase in the per ounce price of gold over the base price of $500 per ounce, to a maximum of 4.75% of NSR. At any time prior to commencement of commercial production, the Company will have the option to “buy back” any portion of the royalty for gold and silver above 3% by paying to Gold Range $1.0 million per full percentage point.

(e) Title to mineral property interests

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

Although the Company has taken steps to verify the 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 substantial portion of the Company’s assets. Realization of the Company’s investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

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

9. MINERAL INTERESTS (Continued)

(g) Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

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.

10. OTHER LIABILITIES

In consideration for the purchase of DHI, the Company will pay US $4,000,000 in equal instalments over the next four years, with no interest (note 4). At March 31, 2009, the fair value of the future instalments totalled $3,989,414.

Payable to Augusta Resources Ltd.	$3,989,414
Less: current portion	(1,260,200)
Total other liabilities	$2,729,214

11. SHARE CAPITAL

(a) Authorized

Unlimited number of common voting shares without nominal or par value

(b) Issued and outstanding

(i) On July 10, 2008, 150,000 shares were issued at a price of $0.50 as a finder's fee for the acquisition of DHI (note 4).

(ii) On June 13, 2007, 12,500,000 warrants were exercised at a price of $0.16 per share for gross proceeds of $2,000,000.

11. SHARE CAPITAL (Continued)

(c) Stock options

The Company has established a stock option plan (the "Plan"). The Plan was approved and adopted by the shareholders during the year ended December 31, 2007. Options granted pursuant to the Plan will not exceed a term of five years and are granted at an option price and other terms determined by the directors and in accordance with regulatory policies. The option price may be at a discount to market price, which discount will not, in any event, exceed that permitted by the TSX Venture Exchange.

The number of options granted is not to exceed a rolling ceiling of 10% of the issued and outstanding shares. In addition, the aggregate number of shares so reserved for issuance to any one person shall not exceed 5% of the issued and outstanding shares (if the participant is a consultant

As at March 31, the following incentive stock options were outstanding and exercisable:

Expiry Date	Exercise Price	**2009**	**2008**
August 30, 2010	$0.20	900,000	900,000
November 14, 2010	$0.80	200,000	200,000
May 3, 2011	$0.80	300,000	300,000
June 13, 2011	$0.80	80,000	80,000
May 8, 2012	$0.50	50,000	50,000
May 25, 2012	$0.50	400,000	400,000
March 7, 2013	$0.50	150,000	100,000
March 26, 2011	$0.50	390,000	390,000
July 21, 2013	$0.50	200,000	-
		2,670,000	2,420,000

11. SHARE CAPITAL (Continued)

(d) Stock options (Continued)

Stock option transactions and the number of stock options outstanding and exercisable are summarized as follows:

	March 31 2009		**March 31 2008**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,670,000	$ 0.46	1,930,000	$ 0.45
Granted	-	$ -	490,000	$ 0.50
Exercised	-	$ -	-	$ -
Expired	-	$ -	-	$ -
Outstanding, end of year	2,670,000	$ 0.46	2,420,000	$ 0.45

The fair value of stock options granted to consultants and vested during the three months ending March 31, 2009 was $28,899 (2008 - $67,935). The fair value of stock options is estimate using the Black-Scholes option pricing model with the following weighted average assumptions:

	2009	**2008**
Risk-free interest rate	-	3.06%
Expected dividend yield	-	0.00%
Expected stock price volatility	-	138.56%
Expected option life in years	-	4.5

(e) Warrants

As at March 31, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Exercise Price	**2009**	**2008**
August 28, 2009	$0.50	3,000,000	3,000,000

The warrants have a weighted average remaining life of 5 months.

11. SHARE CAPITAL (Continued)

(d) Warrants (Continued)

Share purchase warrant transactions and the number of share purchase warrants outstanding and exercisable are summarized as follows:

	March 31 2009		**March 31 2008**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	3,000,000	$0.50	-	-
Granted	-	$ -	3,000,000	$ 0.50
Exercised	-	$ -	-	$ -
Expired	-	$ -	-	$ -
Outstanding, end of period	3,000,000	$0.50	3,000,000	$ 0.50

12. RELATED PARTY TRANSACTIONS

(a) During the year, the Company paid companies controlled by directors/officers of the Company $45,719 (2008 - $44,493) for consulting services.

(b) At March 31, 2009, $10,995 (2008 - $26,072) owing to companies controlled by directors or management of the Company is included in accounts payable and accrued liabilities.

(c) Prepaid expenses include $7,125 (2008 - $nil) for advances to an officer of the Company.

All of 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 parties.

13. INCOME TAXES

The Company has approximately $7,471,980 in operating losses that may be carried forward to apply against future years' income for Canadian income tax purposes expiring in 2028. The tax effect has not been recorded in these financial statements.

Significant components of the provision for income taxes are as follows:

	2008	2007
Tax at combined federal and provincial tax rates on income/loss from continuing operations	$ (295,188)	$
Tax effect of expenses that are not deductible (taxable) for income tax purposes		
Write-off of mineral property interests	-	
Stock-based compensation	74,916	
Share issue costs	(86,054)	
Foreign exchange	(53,922)	
Write-down of marketable securities	22,336	
Non-deductible meal expenses	9,791	
Amortization	653	
Capital cost allowance	(1,079)	
Changes in timing differences		
Amortization of equipment	447	
Mineral property interests	-	
Write-down of marketable securities	11,168	
Share issue costs	90,311	
Loss carry-forwards expired losses	110,453	
Capital losses for the year	(17,698)	
Effect on change in tax rate	871,792	
Change in valuation allowance	(737,926)	
Income tax expense	$ -	$ -

14. CONTINGENCY

On May 20, 2002, the Company was named as a defendant in a lawsuit in the Superior Court of King County, State of Washington. This lawsuit was filed by certain shareholders of FMS for themselves and on behalf of FMS.

FMS was an insolvent corporation, which had filed for protection under the United States Bankruptcy Code in the Western District of Washington. The complaint alleged that certain assets of FMS were wrongfully transferred to the Company. The lawsuit was removed from the Superior Court of Washington to the Bankruptcy Court under applicable bankruptcy law and an adversary proceeding was commenced in the FMS bankruptcy. The plaintiffs, after initial discovery requests prior to removal to the Bankruptcy Court, never pursued the claims. In fact, plaintiff's counsel withdrew from the case and the plaintiffs are not currently represented. The Company vigorously denied the plaintiff's claims and would have defended any actions by the plaintiffs to pursue the claims. The assets subject to the complaint were eventually purchased by the Company out of the FMS bankruptcy pursuant to a court-approved sale, and effectively voided the original transaction under which the plaintiffs based their claims.

The plaintiffs were contacted to demand that they dismiss the lawsuit. The plaintiffs agreed to do so and have signed a Stipulation and Order of Dismissal, dismissing the lawsuit, with prejudice, and without liability or cost to the Company. The Company has attempted to have the Stipulation and Order entered by the Superior Court, but this was rejected by the court based on the fact the plaintiff is not represented by counsel, which is required in Washington for corporations. The Company contacted the plaintiffs and requested that they retain counsel for purposes of entering the order but have yet to hear from them.

The Company received from a party to the lawsuit a copy of a Bankruptcy Order dismissing the lawsuit in the Bankruptcy Court. Given the dismissal in the Bankruptcy Case and the status of the case in the Superior Court (which is now in question based on the Bankruptcy Court order referred to above) and the written agreement of settlement and dismissal of the lawsuit by plaintiffs, management believes that the Company has no exposure under the claims brought by the plaintiffs. If nothing is done further, local rules require that the lawsuit be dismissed by the Superior Court on its own motion.

15. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of resource properties. Geographic information as at March 31 is as follows:

		2009		2008
Assets				
Canada	$	1,403,656	$	4,377,418
United States		8,540,959		7,299,970
	$	9,944,615	$	11,677,388

16. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.