

Financial Statements
(Expressed in Canadian dollars)

**INTERNATIONAL WAYSIDE
GOLD MINES LTD.**

(An Exploration Stage Company)

Years ended February 28, 2009 and February 29, 2008



BDO Dunwoody LLP
Chartered Accountants

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Auditors' Report

To the Shareholders of International Wayside Gold Mines Ltd. (An Exploration Stage Company)

We have audited the balance sheets of International Wayside Gold Mines Ltd. (an exploration stage company) as at February 28, 2009 and February 29, 2008 and the statements of loss and deficit and other comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2009 and February 29, 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, British Columbia
June 26, 2009

INTERNATIONAL WAYSIDE GOLD MINES LTD.

(An Exploration Stage Company)

Balance Sheets

(Expressed in Canadian dollars)

February 28, 2009 and February 29, 2008

	2009	2008
		(Restated – note 16)
Assets		
Current assets:		
Cash and cash equivalents	\$ -	\$ 24,795
Subscription receivable (note 10(b)(vi))	577,899	-
Amounts receivable and advances	161,277	100,513
Prepaid expenses	53,823	104,440
	<u>792,999</u>	<u>229,748</u>
Reclamation deposits (note 2(b))	299,500	294,500
Investments (note 4)	3,450	7,590
Due from related parties (note 7(a))	600,000	266,544
Property and equipment (note 5)	296,896	329,870
Mineral properties (notes 6 and 16)	9,424,589	8,799,089
	<u>\$ 11,417,434</u>	<u>\$ 9,927,341</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Outstanding cheques in excess of cash on hand	\$ 419,231	\$ -
Accounts payable and accrued liabilities (note 16)	1,850,331	2,077,501
Due to related parties (note 7(b))	467,708	964,976
	<u>2,737,270</u>	<u>3,042,477</u>
Asset retirement obligation (note 8)	145,359	103,191
	<u>2,882,629</u>	<u>3,145,668</u>
Shareholders' equity:		
Capital stock (note 10)	49,020,570	45,945,511
Contributed surplus (note 11)	9,796,206	7,718,636
Subscription payable (note 10(b)(iii) and (v))	50,000	498,800
Accumulated other comprehensive loss (note 12)	(15,870)	(11,730)
Deficit	(50,316,101)	(47,369,544)
	<u>8,534,805</u>	<u>6,781,673</u>
	<u>\$ 11,417,434</u>	<u>\$ 9,927,341</u>

Going concern (note 1), Commitments (note 6), Subsequent events (notes 10 and 17), Contingencies (note 14)

See accompanying notes to financial statements.

Approved on behalf of the Board:

J. Frank Callaghan Director

Andrew H. Rees Director

INTERNATIONAL WAYSIDE GOLD MINES LTD.

(An Exploration Stage Company)

Statements of Loss and Deficit and Other Comprehensive Loss

(Expressed in Canadian dollars)

Years ended February 28, 2009 and February 29, 2008

	2009	2008
		(Restated- note 16)
Expenses:		
Accounting, audit and legal (note 7 (c))	\$ 181,625	\$ 233,192
Amortization	41,098	50,355
Automobile	1,266	4,307
Bank charges, interest and commissions (notes 7(e), 14, and 16)	562,729	95,469
Exploration expenditures	1,415,124	866,317
Interest on convertible notes (note 9)	-	157,060
Accretion of convertible note discount (note 9)	-	1,390,388
Management fees (note 7(c))	120,000	120,000
Office and administration	145,708	80,737
Rent	26,378	25,570
Shareholder communications and advertising	113,614	208,186
Telephone	32,513	27,603
Transfer agent and filing fees	63,304	116,218
Stock-based compensation (note 10(d))	46,039	1,217,750
Wages, consulting fees and benefits (note 7(c))	248,242	544,174
	2,997,640	5,137,326
Loss before the following	(2,997,640)	(5,137,326)
Gain on settlement of payables	84,851	-
Fair value of shares in excess of settlement amount (note 6(b))	(45,000)	-
Interest income	11,232	13,174
Commitment fee (note 14)	-	(38,850)
	51,083	(25,676)
Net loss for the year	(2,946,557)	(5,163,002)
Deficit, beginning of year:		
As previously reported	(47,369,544)	(41,246,260)
Adjustment due to adoption of new accounting pronouncement (note 2(n))	-	(112,282)
Adjustment due to Part XII.6 accrual (note 16)	-	(848,000)
Deficit, end of year, restated	\$ (50,316,101)	\$ (47,369,544)
Basic and diluted loss per share	\$ (0.29)	\$ (0.78)
Weighted average number of shares outstanding	10,109,662	6,616,855
Statements of other comprehensive loss		
Net loss for the year	\$(2,946,557)	\$(5,163,002)
Unrealized loss on available-for-sale securities (note 4)	(4,140)	(11,730)
Comprehensive loss for the year	\$(2,950,697)	\$(5,174,732)

See accompanying notes to financial statements.

INTERNATIONAL WAYSIDE GOLD MINES LTD.

(An Exploration Stage Company)

Statements of Cash Flows

(Expressed in Canadian dollars)

Years ended February 28, 2009 and February 29, 2008

	2009	2008
		(Restated- note 16)
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (2,946,557)	\$ (5,163,002)
Items not involving cash:		
Amortization	41,098	50,355
Interest and finance fees on convertible loan	-	157,060
Stock-based compensation	46,039	1,217,750
Accretion of convertible debt	-	1,390,388
Accretion of asset retirement obligation	42,168	9,381
Gain on de-recognition of liabilities	(84,851)	-
Fair value of shares in excess of settlement amount	45,000	-
Issuance of shares for loan bonus (note 10(b))	165,000	-
	(2,692,103)	(2,338,068)
Changes in non-cash operating working capital:		
Amounts receivable and advances	(60,764)	(81,180)
Prepaid expenses	50,617	(102,440)
Accounts payable and accrued liabilities	(142,318)	(92,082)
Cash used in operations	(2,844,568)	(2,613,770)
Investing:		
Reclamation deposits	(5,000)	5,000
Due from related parties	(333,456)	(130,252)
Purchase of property and equipment	(8,125)	(21,131)
Expenditures on mineral properties, net of recoveries	(400,500)	-
Cash used in investing	(747,081)	(146,383)
Financing:		
Due to related parties	(497,268)	(562,651)
Proceeds from convertible notes	-	179,952
Settlement fees relating to convertible notes	-	(285,330)
Issuance of shares for cash, net of issuance costs	3,594,891	2,961,149
Subscription payable, net of issuance costs	50,000	498,800
Outstanding cheques in excess of deposits	419,231	(6,972)
Cash provided by financing	3,566,854	2,784,948
(Decrease) increase in cash and cash equivalents	(24,795)	24,795
Cash and cash equivalents, beginning of year	24,795	-
Cash and cash equivalents, end of year	\$ -	\$ 24,795
Supplemental cash flow information:		
Taxes paid	\$ -	\$ -
Interest paid	-	-
Non-cash operating, investing and financing activities:		
Issuance of capital stock for mineral properties	225,000	225,000
Issuance of shares to settle debts	-	4,800,238
Asset retirement obligation increase	42,168	9,381
Issuance of shares for loan bonus (note 10(b))	165,000	-

See accompanying notes to financial statements.

INTERNATIONAL WAYSIDE GOLD MINES LTD.

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Statement of Property Exploration Costs – Schedule 1

(Expressed in Canadian dollars)

Years ended February 28, 2009 and February 29, 2008

	2009	2008
Exploration and development expenditures:		
Administration fees (note 7(c))	\$ 46,548	\$ 41,044
Assaying	13,442	13,959
Assessment and tax	83,995	27,118
Accretion of asset retirement obligation (note 8)	42,168	9,381
Consulting	105,365	55,687
Environmental	32,206	30,556
Land fees and permitting	339,950	34,647
Exploration	459,425	200,530
Equipment rentals (note 7(c))	191,460	393,433
Mine and field supplies	73,954	37,682
Travel	26,611	22,280
Property exploration costs	\$1,415,124	\$ 866,317

INTERNATIONAL WAYSIDE GOLD MINES LTD.

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Notes to Financial Statements

(Expressed in Canadian dollars)

Years ended February 28, 2009 and February 29, 2008

1. Ability to continue as a going concern:

The Company was incorporated on February 12, 1970 under the laws of the Province of British Columbia and its principal business activities are the exploration and development of mineral properties in British Columbia, with its principal property being the Cariboo Gold Project (note 6(b)).

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. At February 28, 2009, the Company has a working capital deficiency of \$1,944,271 (February 29, 2008 - \$2,812,729), and has incurred losses during the years of \$50,316,101 (February 29, 2008 - \$47,369,544). The Company has not generated any cash from operating activities since inception with the exception of the proceeds from a bulk sampling program. The Company's continuing operations and the ability of the Company to discharge its liabilities and fulfill its commitments as they come due, is dependent upon the continued support of its related parties, the ability of the Company to continue to obtain equity financing and, ultimately, on locating economically recoverable ore reserves in its mineral properties and attaining and maintaining profitable operations. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require the restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The underlying value and the recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete development, confirmation of the Company's interest in the underlying mineral claims and leases and upon future profitable production from or the proceeds from the disposition of its mineral properties.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

(b) Cash equivalents and reclamation deposits:

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a term to maturity of three months or less at acquisition, that are readily convertible to specified amounts of cash.

Reclamation deposits are term deposits held on behalf of the Government of the Province of British Columbia as collateral for possible reclamation activities on the Company's mineral properties in connection with permits required for exploration activities. As they are restricted from general use, they are excluded from current assets.

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2. Significant accounting policies (continued):

(c) Property and equipment:

Property and equipment is recorded at cost. Amortization is provided, once the assets are in use, over their estimated useful lives on a declining-balance basis at rates between 5% and 20% per annum.

Additions during the year are depreciated at one-half of the annual rate. The costs of repair and replacement of routine nature items are charged to income while any expenditures which improve or extend the useful lives of the assets, are capitalized. No depreciation is taken in the year of disposition.

(d) Mineral properties:

Exploration expenditures are expensed while acquisition expenditures are capitalized.

Consistent with prior periods, mineral property acquisition costs include the cash consideration paid and the fair value of common shares issued on acquisition, based on the trading price of the shares on the dates in the agreement to issue the shares.

Recoveries for option payments or shares received are recorded on receipt, as the payments or shares received under the agreement are made at the sole discretion of the optionee. Proceeds from the sale of minerals recovered during the exploration stage are recorded when title to the minerals passes, the proceeds are reasonably determinable and the collectibility is assured.

Amounts shown for mineral properties represent costs incurred to date, less write-downs, and do not necessarily reflect present or future values.

(e) Stock-based compensation:

The Company has a stock-based compensation plan which is described in note 10(d). Stock options are measured at their fair value on the date of grant and recorded as compensation expense over the requisite service or vesting period, and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. The Company measures stock based compensation at the measurement date, based on the estimated fair value of the award over the requisite service period or the period the options are earned. For non-employee options, unvested options are re-valued at each balance sheet date. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based compensation.

(f) Share capital:

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted market price on the date the agreement to issue the shares was reached.

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2. Significant accounting policies (continued):

(g) Income taxes:

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and loss carry forwards. Future income tax assets and liabilities are measured using the substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantially enacted. A valuation allowance is recorded to reduce future income tax assets recognized by the amount of any future income tax benefits that, based on available evidence, are not expected to be realized.

(h) Loss per share:

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. The prior year's weighted average number of shares outstanding has been calculated to reflect a 10 for 1 share consolidation, that occurred effective September 26, 2008, as though it had occurred at the beginning of the 2008 fiscal year. The Company uses the treasury stock method for calculating diluted loss per share. The treasury stock method assumes that for purposes of determining the weighted average shares outstanding for the calculation of dilutive per share amounts, the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price for the period.

However, in the Company's case, diluted loss per share does not differ from basic loss per share as the effect of the exercise of the 649,438 (2008 – 702,522) options and 8,939,396 (2008 – 2,454,760) warrants that are outstanding at February 28, 2009 would be anti-dilutive.

(i) Asset retirement obligations:

The Company may incur liability for costs associated with the eventual retirement of tangible long-lived assets (for example, reclamation costs). The liability for such costs exists from the time the legal obligation first arises, not when the actual expenditures are made in the future. Such obligations will be measured initially at their fair value using discounted present value methodology. The resulting amount will be added to the cost of the related asset and to the Company's liabilities, and will be adjusted in later periods for changes in the amount and timing of the expected cash expenditures. The amount added to the asset will be amortized in the same manner as the asset. The liability will be increased in each accounting period by the amount of the implied interest ("accretion") inherent in the use of discounted present value methodology, and the increase will be charged against earnings or capitalized as appropriate.

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Notes to Financial Statements

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2. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of financial statements 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. Significant areas requiring the use of management estimates relate to the determination of recoverability of mineral property costs, useful lives for amortization, determination of reclamation obligations and assumptions used in determining the fair value of non-cash stock-based compensation. Actual results could differ from those estimates.

(k) Flow-through shares:

A portion of the Company's exploration activities is financed through proceeds received from the issue of flow through shares. Under the terms of the flow-through shares issued, the tax benefits of the related expenditures are renounced to the share subscribers. The Company recognizes the foregone tax benefits to the Company and share capital is reduced for the tax benefits renounced to the subscribers. The tax effect of the renouncement is recorded upon filing of the renouncement documents provided that corresponding exploration expenditures are incurred or there is reasonable assurance that they will be incurred within the permitted time frame.

(l) Comprehensive loss:

Comprehensive loss is composed of the Company's operations and other comprehensive loss. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, all net of income taxes. Cumulative changes in other comprehensive loss are included in accumulated other comprehensive loss which is presented as a category in shareholders' equity.

(m) Derivatives and hedge accounting:

The Company currently does not have derivative instruments and accordingly is not impacted by CICA Handbook Section 3865, Hedges.

(n) Financial instruments:

All financial assets and financial liabilities are initially recognized at fair value and are subsequently measured based on their classification as held-to-maturity, loans and receivables, available-for-sale, held-for-trading, or other financial liabilities as described below. The classification is not changed subsequent to initial recognition.

Held-to-maturity and Loans and Receivables

Financial instruments that have a fixed maturity date, where the Company intends and has the ability to hold the instrument to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Loans and receivables are measured at amortized cost using the effective interest method.

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Notes to Financial Statements

(Expressed in Canadian dollars)

Years ended February 28, 2009 and February 29, 2008

2. Significant accounting policies (continued):

(n) Financial instruments (continued):

Available-for-sale

Financial assets classified as available-for-sale are carried at fair value (where determinable based on market prices of actively traded securities) with changes in fair value recorded in other comprehensive income until it is realized or impaired. Available-for-sale securities are written down to fair value through earnings whenever it is necessary to reflect an other-than-temporary impairment. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are added to its fair value.

Held-for-trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are measured at fair value with the change in the fair value recognized in income.

Other financial liabilities

Other financial liabilities are initially measured at fair value and subsequently measured at amortized cost, with any resulting premium or discount from the face value being amortized to income or expense using the effective interest method.

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding:

Cash and cash equivalents	Held-for-trading
Outstanding cheques in excess of cash on hand	Held-for-trading
Reclamation deposits	Held-for-trading
Advances	Loans and receivables
Due from related parties	Loans and receivables
Investments	Available-for-sale
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

The Company no longer defers financing costs separately on its balance sheet and instead records all security issuance costs immediately in net income. The resultant impact of this change was a reduction in 2007 deferred financing costs of \$112,282 and a corresponding increase to opening deficit of the same amount.

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Notes to Financial Statements

(Expressed in Canadian dollars)

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2. Significant accounting policies (continued):

(o) Adoption of new accounting standards:

Financial instruments

Effective March 1, 2008, the Company adopted CICA Handbook Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation". These sections replace the existing Section 3861, "Financial Instruments Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments for 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 interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The new disclosure standard outlines the disclosure requirements for financial instruments and non-financial derivatives. The guidance prescribes an increased importance on risk disclosures associated with recognized and unrecognized financial instruments and how such risks are managed. Specifically, it requires disclosure of the significance of financial instruments for a company's financial position. In addition, the guidance outlines revised requirements for the disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments (See note 3).

There was no impact on the financial statements arising from the adoption of this standard other than as identified above.

General Standards of Financial Statement Presentation

In June 2007, the Canadian Institute of Chartered Accountants ("CICA") amended Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to make an assessment of a company'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 adoption of this standard did not have a material effect on the Company's financial statements.

Capital Disclosures

Effective March 1, 2008 the Company adopted the CICA Handbook Section 1535, "Capital Disclosures". This section of the CICA Handbook establishes new standards for disclosing an entity's objectives, policies, and processes for managing capital. These disclosures include a description of what the company manages as capital, the nature of externally imposed capital requirements, how the requirements are incorporated into the company's management of capital, whether the requirements have been complied with, or consequences of non-

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Notes to Financial Statements

(Expressed in Canadian dollars)

Years ended February 28, 2009 and February 29, 2008

2. Significant accounting policies (continued):

compliance and an explanation of how the company is meeting its objectives for managing capital. In addition, quantitative data about capital and whether the company has complied with all capital requirements are also required. Other than the additional disclosure (see note 3), the adoption of this section did not have a material effect on the Company's financial statements.

(p) Future accounting changes:

Goodwill and Intangible Assets

In February 2008, the CICA issued a new Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Intangible Assets", as well as Section 3450, "Research and Development Costs".

The new Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. Section 3064 also provides further information on the recognition of internally generated intangible assets, including research and development costs. As for subsequent measurement of intangible assets, goodwill, and disclosure, Section 3064 carries forward the requirements of the old Section 3062.

The new Section applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the effect of this new standard on the Company's financial statements.

Business Combinations

Section 1582, "Business Combinations", establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at acquisition date fair value. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards ("IFRS") on business combinations. The Company will be required to adopt this standard prospectively for business combinations with acquisition dates on or after February 1, 2011, but may adopt the standard sooner. The Company is currently evaluating the impact of adopting this standard on its financial statements.

General Accounting

CICA Handbook Section 1000 has been amended to focus on the capitalization of costs that meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of the adoption of this change on its financial statements.

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Years ended February 28, 2009 and February 29, 2008

2. Significant accounting policies (continued):

(p) Future accounting changes (continued):

Consolidations

CICA Handbook Sections 1601, Consolidations, and 1602, Non-Controlling Interests, replace Section 1600, Consolidated Financial Statements. Section 1602 provides the Canadian equivalent to International Accounting Standard 27, Consolidated and Separate Financial Statements, for non controlling interests. The Company plans to adopt this standard on February 1, 2011. Concurrent with the adoption of section 1582, Business Combinations, the Company is currently evaluating the impact of adopting this standard on its financial statements.

International Financial Reporting Standards ("IFRS")

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

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3. Financial Instruments and capital management:

Financial instruments

The Company has exposure to the following risks from the use of its financial instruments:

(a) Fair value

The carrying values of cash and cash equivalents, amounts receivable and advances, accounts payable, and due to/from related parties approximate their fair values because of the short-term maturity of these instruments. The Company's investments have been adjusted to their fair value based on their market price (notes 4 and 12). The Company's reclamation deposits are recorded at their carrying value as their fair value is indeterminable as the repayment date is unknown.

(b) Credit risk

Credit risk is the risk that arises when a party to a financial instrument will be unable to discharge its obligations. The Company's financial assets exposed to credit risk are cash and cash equivalents, amounts receivable and advances and amounts due from related parties.

Cash is placed with major financial institutions rated in the two highest grades by nationally recognized rating agencies. Amounts receivable and advances and amounts due from related parties are assessed for impairment based on the individual characteristics (credit history, ability to repay) of each counterparty.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk through the management of its capital structure, more specifically, the issuance of new common shares, options or warrants. However, without further equity financing, it is unlikely that the Company will be able to meet the obligations associated with its financial liabilities in the upcoming year.

(d) Market risk

Market risk is comprised of three components: currency risk, interest rate risk and commodity price risk.

Currency risk

The Company is not subject to foreign currency risk since historically, it does not enter into foreign currency transactions with third parties.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's

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3. Financial instruments and capital management (Continued)

financial assets and liabilities subject to interest rate risk include cash and cash equivalents and accounts payable however this risk is mitigated due to their short-term maturity.

Commodity price risk

The value of the Company's mineral resource properties is related to the price of precious metals. Prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. The Company's interest rights and obligations under net smelter royalties are affected by the commodity price however, as the Company is still in the exploration stage, the Company has elected not to actively manage commodity risk at this time.

(d) Derivatives – mineral properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties ("NSR"), the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine value.

Capital management

In order to continue the Company's future exploration and development program, the Company must maintain a strong capital base. A strong capital base results in increased market confidence, an essential factor in maintaining existing shareholders and in attracting new investors. The Company's commitment is to establish and maintain a strong capital base to enable the Company to access the equity and debt markets when deemed advisable. In order to maintain a strong capital base, the Company continually monitors the risk reward profile of its exploration and development projects and the economic indicators in the market including commodity prices, interest rates and foreign exchange rates. It then determines increases or decreases to its capital budget.

The Company considers shareholders equity and working capital as components of its capital base. The Company can access or increase capital through the issuance of shares or special warrants, and by building cash reserves by reducing its capital expenditure program. Exploration involves a high degree of 'discovery' risk and substantial uncertainties about the ultimate ability of the Company to achieve positive cash flow from operations. Consequently, management primarily funds the Company's exploration by issuing share capital and special warrants rather than using other capital sources that require fixed repayments of principal

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3. Financial instruments and capital management (Continued)

and/or interest. Management may option certain exploration prospects to third parties as an additional means of funding exploration and to provide the Company with access to a broader number of exploration prospects.

Development activities begin once mineral reserves and resources are estimated and the Company makes a positive production decision. At this point management may consider senior debt or convertible debentures as a means to reduce equity dilution. For project development purposes, the ratio of debt to equity contemplates leveraged investment return to equity-linked stakeholders and the associated risks of various forms of debt, debentures or other non-dilutive capital sources.

The Company's capital under management includes:

	February 28, 2009	February 29, 2008 (Restated- note 16)
Working Capital		
Cash and cash equivalents	\$ -	\$ 24,795
Amounts receivable and advances	161,277	100,513
Subscription receivable	577,899	-
Prepaid expenses	53,823	104,440
Cheques in excess of cash on hand	(419,231)	-
Accounts payable and accrued liabilities	(1,850,331)	(2,077,501)
Due to related parties	(467,708)	(964,976)
	(\$ 1,944,271)	(\$ 2,812,729)
Shareholders' Equity		
Capital stock	\$ 49,020,570	\$45,945,511
Subscription payable, net	50,000	498,800
Contributed surplus	9,796,206	7,718,636
	\$ 58,866,677	\$ 54,162,947

At February 28, 2009, the Company's does not have any debt other than trade payables and amounts due to related parties and does not have a credit facility. The outstanding cheques in excess of cash on hand was addressed subsequent to year end. The Company's share capital is not subject to external restrictions. Working capital is subject to restrictions related to flow through issuances identified in note 10(c).

There were no changes in the Company's approach to capital management during the period.

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4. Investments:

	February 28, 2009			February 29, 2008		
	Number of shares	At initial valuation	Quoted market price	Number of shares	At initial valuation	Quoted market price
Lions Gate Energy Inc.	138,000	\$ 19,320	\$ 3,450	138,000	\$19,320	\$ 7,590

The Company receives shares of other companies pursuant to mineral property option agreements. Lions Gate Energy Inc. ("LG") is related by virtue of certain common directors.

The fair value of the securities is marked-to-market based on the closing price of the securities as traded on active markets with changes in the fair value reflected net of tax in *Other Comprehensive Income*. As at February 28, 2009, the value of the shares was \$0.025 per share compared to \$0.055 per share at February 29, 2008 which represents an unrealized mark-to-market loss of \$4,140 (February 29, 2008 - \$11,730), net of taxes of \$nil (February 29, 2008 - \$nil), which has been recorded in *Other Comprehensive Income (loss)*.

5. Property and equipment:

February 28, 2009	Cost	Accumulated amortization	Net book value
Land	\$ 59,300	\$ -	\$ 59,300
Building	93,771	24,238	69,533
Office equipment	327,456	234,034	93,422
Mining equipment	427,477	361,952	65,525
Vehicles	28,416	19,300	9,116
	\$ 936,420	\$ 639,524	\$ 296,896

February 29, 2008	Cost	Accumulated amortization	Net Book value
Land	\$ 59,300	\$ -	\$ 59,300
Building	93,771	19,905	73,866
Office equipment	325,759	213,199	112,560
Mining equipment	421,049	348,097	72,952
Vehicles	28,416	17,224	11,192
	\$ 928,295	\$ 598,425	\$ 329,870

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6. Mineral properties:

	February 28, 2009	February 29, 2008
Wayside property (a)	\$ 1	\$ 1
Cariboo Gold Project (b)	9,424,588	8,799,088
	<u>\$ 9,424,589</u>	<u>\$ 8,799,089</u>

(a) Wayside property:

As at November 30, 2008, the Company holds a 100% interest in the Wayside property, consisting of certain mineral claims and leases located in the Lillooet Mining Division, British Columbia. If, and when, the property commences commercial production, the Company will be required to issue shares equal in value to \$480,000 to the party from whom it was initially acquired.

Based on limited financial resources and current economics, the Company has been focusing its efforts in recent years on the Cariboo Gold Quartz property (note 6(b)).

(b) Cariboo Gold Project:

As of February	2009	2008
		(Restated – Note 16)
Acquisition costs:		
Shares issued	\$ 225,000	\$ 225,000
Cash Payment	400,500	-
Reversal of government grants received (note 16)	-	215,000
Net acquisition costs	<u>\$ 625,500</u>	<u>\$ 440,000</u>
Balance, beginning of year	<u>8,799,089</u>	<u>8,359,089</u>
Balance, end of year	<u>\$ 9,424,589</u>	<u>\$ 8,799,089</u>

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6. Mineral properties (continued):

- (i) During 1994, the Company entered into an option agreement with Mosquito Consolidated Gold Mines Ltd. ("Mosquito"), to earn a 50% undivided interest in the Cariboo Gold Quartz property, consisting of certain mineral claims and leases located in the Cariboo Mining Division, British Columbia. In order to earn its 50% interest in the property, the Company was required to make option payments totaling \$50,000 (paid), issue 50,000 common shares (issued), and incur cumulative exploration and development expenditures totaling \$1,450,000 over a six year period to October 3, 2000 (incurred). For each additional year thereafter until a production decision is made, the Company agreed to spend \$500,000 on further exploration and development work on the property, although the agreement provides that the Company can apply expenditures incurred during the six year period to October 3, 2000 in excess of \$1,450,000 against this \$500,000 annual expenditure commitment.

The Company subsequently entered into a separate agreement, as amended, with Mosquito whereby the Company can acquire the remaining 50% of the Cariboo Gold Quartz property held by Mosquito as well as a 100% interest in Mosquito's Island Mountain and Mosquito Creek properties that are contiguous to the Cariboo Gold Quartz property (which collectively form the Cariboo Gold Project) (the "Properties") for cash totaling \$4,054,303 that was to be paid in stages to December 31, 2003. To February 28, 2003, the Company had paid \$554,303 to Mosquito under the terms of the amended agreement. In fiscal 2004, the agreement with Mosquito was replaced with a new agreement (the "2004 Agreement") whereby the Company paid \$50,000 on signing the 2004 Agreement and an additional \$450,000 during fiscal 2004. Pursuant to the 2004 Agreement and in order to earn a 100% interest in the Properties, the Company is required to pay \$500,000 on or before August 31 in each of the years 2004 to 2006 and \$3,500,000 on or before December 31, 2006. The Company paid \$500,000 to Mosquito on August 31, 2004, 2005 and 2006 pursuant to the 2004 Agreement and paid \$3,500,000 on December 29, 2006. Upon completion of the Bankable feasibility study the Company will earn a 100% interest in the Properties (not yet completed).

The 2004 Agreement further provides that the Company can extract a bulk sample of not more than 40,000 tons from the Cariboo Gold Quartz property, on which a NSR royalty of 5% is payable to Mosquito. The 2004 Agreement also provides for a NSR royalty to Mosquito of 3% of net revenues derived from production of minerals from the Properties. The Company is responsible for settling an existing 10% net profits interest on the Properties.

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6. Mineral properties (continued):

(b) Cariboo Gold Project (continued):

- (ii) During fiscal 2000, the Company entered into an agreement with Lions Gate Energy Inc. ("LG"), a public company listed on the TSX Venture Exchange ("TSX-V") which has certain common directors with the Company, granting LG an option to earn a 50% interest in the Island Mountain and Mosquito Creek properties from the Company. In order to earn its 50% interest, the agreement provided that LG pay the Company \$150,000 upon execution of the agreement (received) and make annual option payments to the Company of \$50,000 over a five year period (\$250,000 received to February 29, 2004), issue 125,000 shares of LG in stages (125,000 shares received) and incur \$4,000,000 in exploration expenditures over a five year period. The Company is the operator on the exploration work program, although it utilizes the services of the primary contractor used for the exploration work programs on its own properties (see related party transactions note 7(c)).

During the year ended February 28, 2005, the Company amended the agreement with LG as follows:

- the final annual option payment of \$50,000, which was due May 10, 2004, was to be paid on the date of execution of the amended agreement (received in fiscal 2004);
- an additional 37,500 shares of LG were to be issued to the Company upon TSX-V approval (received);
- an additional \$150,000 of option payments were to be made in three equal instalments of \$50,000 each on or before May 10, 2005 (received), May 10, 2006 and May 10, 2007; and
- the \$4,000,000 of exploration expenditures on the Island Mountain and Mosquito Creek properties were required to be incurred prior to December 31, 2008.

During the year ended February 28, 2007, the Company entered into a property transfer agreement dated January 16, 2006 with Lions Gate Energy Inc. to acquire 100% of their mineral property interests located in Wells, British Columbia for the following consideration:

- \$250,000 (issued) worth of common shares at market value of the Company;
- a total of \$1,000,000, payable in \$200,000 installments over a five year period, on May 31 of each year, commencing May 31, 2006. Installments were paid on May 31, 2006 and 2007. The May 31, 2008 payment was paid on February 27, 2009; and

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6. Mineral properties (continued):

(b) Cariboo Gold Project (continued):

- the issuance of four annual installments of \$225,000 worth of the Company's common shares on May 31 of each year, commencing May 31, 2007 (issued) at a deemed price of the then quoted market price. During the fiscal year February 28, 2009, the Company issued 450,000 (February 29, 2008 – 91,837) common shares to LG at a market price of \$0.60 (February 29, 2008 - \$2.50) per share to fulfill its obligation for the 2009 fiscal year.
- (iii) During fiscal 2002, the Company entered into agreements with several third parties to acquire interests in certain mineral properties contiguous to the Cariboo Gold Project. In aggregate, the agreements required the Company to pay \$1,000 (paid) and issue 11,000 common shares (issued).
- (iv) During fiscal 2003, the Company entered into agreements with several third parties to acquire interests in certain mineral properties contiguous to the Cariboo Gold Project. In aggregate, the agreements required the Company to issue 39,153 common shares (issued) and pay a total of \$25,000 over a two-year period (paid).
- (v) During fiscal 2004, the Company entered into agreements with several third parties to acquire interests in certain mineral properties contiguous to the Cariboo Gold Project. In aggregate, the agreements required the Company to pay \$134,000 (paid).

7. Related party balances and transactions:

(a) Balance receivable:

The amounts receivable from related parties, which are non-interest bearing, unsecured and due on demand, are comprised of the following:

	February 28, 2009	February 29, 2008
Due from other companies with certain common directors (note 17(b))	\$600,000	\$266,544

For the year ended February 28, 2009, included in prepaid expenses is \$51,823 (2008 - \$17,163) for legal services to be provided by a company with common directors.

In 2009, \$600,000 was advanced to Golden Cariboo Resources Ltd in connection with the transaction discussed in Note 17(b).

The 2008 balance receivable from other companies with certain common directors relates primarily to an allocation of administrative costs incurred by the Company to other public companies with certain common directors and officers.

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7. Related party balances and transactions (continued):

(b) Balances payable:

The amounts payable to related parties, which, except otherwise disclosed, are non-interest bearing, unsecured and due on demand, are comprised of the following:

	February 28, 2009	February 29, 2008
Due to a company controlled by a director	\$ 333,209	\$ 835,007
Due to other companies with certain common directors	-	58,117
Due to directors and officers, and spouse of a director	134,499	71,852
	\$ 467,708	\$ 964,976

(c) Related party transactions:

A summary of the amounts charged to the Company by directors, former directors, and by companies controlled by directors, not disclosed elsewhere, is as follows:

	Year ended February 28, 2009	Year ended February 29, 2008
Property exploration costs:		
Equipment rentals	\$ 191,460	\$ 393,433
Administration fees on reimbursed expenditures	46,548	41,042
Administration costs:		
Interest expense (Note 7(e))	12,230	12,162
Legal	54,196	12,645
Management fees	120,000	120,000
Consulting fees	55,625	-
Wages, Consulting fees & benefits	22,733	50,246
	\$ 502,792	\$ 629,528

Substantially all of the other exploration and development expenditures incurred by the Company are charged from a company controlled by a director. (See note 6(b)(ii)). These charges consist of labour charges, equipment rentals and administration fees of 12% (to a maximum of \$8,000 per month) on such reimbursement of expenditures. Management believes the labour charge, equipment rental charges and project administration fees are at fair values, compared to what the Company would be required to pay to third parties. The Company is charged \$10,000 (2008 - \$10,000) per month for general management services by the President of the Company.

These transactions are recorded at exchange value, being the value established and agreed upon by the related parties.

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7. Related party balances and transactions (continued):

(d) Management agreement

During the year ended February 29, 2008, the Company and an officer entered into a management agreement for a period of 5 years commencing March 1, 2007 for \$120,000 per year. In the event that a change in control occurs and the officer is terminated within 12 months of such a change of control, the officer will receive a lump sum payment equal to the greater of (1) the compensation remaining for the rest of the period under the terms of the engagement and (2) one year's compensation.

(e) Related Party Loans

During the year ended February 28, 2009, the Company entered into loan agreements with Blind Creek Resources Ltd. totaling \$600,000 and Standard Drilling and Exploration Ltd. for \$250,000. Both of these companies are related parties due to each having common directors with the Company. These loans had a term of 12 months, interest of 10% per annum compounding monthly, and were entitled to 100,000 bonus shares (after share consolidation) with a fair value on the date of the agreement of \$0.30. The fair value of the bonus shares were included in the effective interest rate of the facility and included with the interest charge on the facilities. See note 10 (b)(iv).

These facilities were repaid in full and bonus shares issued prior to February 28, 2009.

8. Asset retirement obligation:

The Company's environmental permit requires that it reclaim any land it disturbs during the mine construction and mine operations. Although the timing and the amount of the actual expenditures are uncertain, the Company has estimated the present value of the future reclamation obligation arising from its activities at the Cariboo Gold Project to February 28, 2009 to be \$145,359 (2008 - \$103,191) (undiscounted value \$373,198), (undiscounted and inflation adjusted value \$441,478). The present value of the future reclamation obligation assumes a discount rate of 10% (the credit-adjusted risk-free rate), the commencement of reclamation activities after the life of the mine, which is estimated at 15 years, and inflation at 1.41% per annum.

The asset retirement obligations accrual required management to make significant estimates and assumptions. Actual results could materially differ from these estimates. The liability for accrued asset retirement obligations is comprised as follows:

Balance, February 28, 2007	\$	93,810
Accretion expense		<u>9,381</u>
Balance, February 29, 2008		103,191
Accretion expense		<u>42,168</u>
Balance, February 28, 2009	\$	<u>145,359</u>

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9. Convertible note:

A convertible note valued at \$5,085,568 at maturity on June 29, 2007 was settled during the year ended February 29, 2008. In connection with this convertible note, during the year ended February 28, 2009, the Company charged \$nil (2008 - \$1,390,388) and \$nil (2008 - \$157,060) to accretion of debt discount for the year and accrued interest for the year respectively on the statement of loss.

10. Capital stock:

(a) Authorized capital:

Unlimited common shares without par value

(b) Issued and outstanding:

	Number of shares *	Total
Balance, February 28, 2007	4,359,179	\$ 38,995,104
Issued during the year:		
For cash by way of private placements (net of issue costs)	1,886,757	2,961,149
For acquisition of mineral properties (note 6(b))	91,837	225,000
Shares issued upon debt conversion	2,033,838	4,800,238
Fair value of warrants from private placements and extensions	-	(1,035,980)
Balance, February 29, 2008	8,371,611	\$ 45,945,511
Issued during the period		
For acquisition of mineral properties (note 6(b))	450,000	225,000
For cash by way of private placements (net of issue costs)	1,557,893	1,166,960
Rounding of 26 shares following 10 for 1 share consolidation	(26)	-
Issue of bonus shares at \$0.25 per unit	550,000	165,000
For cash by way of private placements, flow-through (net of issue costs)	1,166,666	332,600
For cash by way of private placements (net of issue costs)	11,166,201	3,172,029
Fair value of warrants from private placements	-	(1,986,530)
Balance at February 28, 2009	23,262,345	\$ 49,020,570

*Number of shares presented in table have been adjusted for the 10 : 1 share consolidation that occurred in the fiscal year ended February 28, 2009.

All share references, numbers of options, numbers of warrants and per share amounts included in these financial statements have been retroactively restated to reflect the consolidation and are presented on a post consolidation basis.

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10. Capital stock (continued):

(b) Issued and outstanding (continued):

During the year ended February 28, 2009:

- (i) The Company issued 827,893 units at a price of \$0.60 per share by way of a private placement for total proceeds of \$496,736. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole Warrant entitles the holder to receive an additional common share at an exercise price of \$1.00 for a period of two years. All securities issued are subject to a four-month hold period. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 117% volatility, 0% dividend yield, 2.73% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at \$66,278, recorded as a credit to contributed surplus with a corresponding debit of \$66,278 to share capital. Other issue costs include finders' fees of \$28,576.
- (ii) Company issued 450,000 common shares from treasury to Lions Gate Energy Inc. at a an issuance date market price of \$0.50 per share to fulfill their obligation of \$225,000 for the 2008 year (note 6(b)(ii)).
- (iii) The Company issued 730,000 units at a price of \$1.00 per unit for gross proceeds of \$730,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to receive an additional common share at an exercise price of \$0,185 for a period of two years. All securities issued are subject to a four-month hold period. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 275% volatility, 0% dividend yield, 2.7% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at \$305,162, recorded as a credit to contributed surplus with a corresponding debit of \$305,162 to share capital. Other issue costs include finders' fees of \$31,200.

In connection with this private placement a subscription payable balance of \$498,800 had been recorded at February 29, 2008 representing cash received net of issue costs prior to the completion of the private placement. This amount was charged to capital stock upon the issue of shares during the year ended February 28, 2009.

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10. Capital stock (continued):

(b) Issued and outstanding (continued):

- (iv) The Company issued 550,000 bonus shares at \$0.25 per share based on the market price of the Company's shares on the date of the loan facility agreements. The facilities were considered to be compound financial instruments. The fair value of the equity component of the facilities was determined to be \$137,500. 100,000 bonus shares were issued to related parties (see Note 7(e)). The fair value of the bonus shares formed a component of the effective interest rate of the facility and was included with interest expense recognized in the Statement of Loss and Deficit.
- (v) The Company issued 1,166,667 flow-through ("FT Unit") units at a price of \$0.30 per unit, for gross proceeds of \$350,000. Each FT Unit consists of one flow-through common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share for a period of two years at a price of \$0.50 per share in the first year and at a price of \$1.00 per share in the second year. It is managements' expectation that 75% of the options would be exercised within 1 year and 25% in year 2. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 103% volatility, 0% dividend yield, 1.41% risk-free interest rate and an expected life of 1 year. As a result, the fair value was estimated at \$77,263 recorded as a credit to contributed surplus with a corresponding debit to share issuance costs. Other issue costs include finders' fees of \$17,400. Cash of \$50,000 was received during the year ended February 28, 2009, to which 166,667 common shares have not been issued. These common shares were issued subsequent to year end and there were no circumstances that these amounts would be repaid in cash. The \$50,000 has been recorded as subscription payable in shareholder's equity.
- (vi) The Company issued 11,166,201 units at a price of \$0.30 per unit for gross proceeds of \$3,349,860. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share for a period of six months at a price of \$0.50 per share. All securities issued are subject to a hold period expiring June 28, 2009. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 307% volatility, 0% dividend yield, 1.157% risk-free interest rate and an expected life of six months. As a result, the fair value was estimated at \$1,398,477, recorded as a credit to contributed surplus with a corresponding debit of \$1,398,477 to share issuance costs. Other issue costs include finders' fees of \$177,831. During the same private placement, there were 556,304 broker warrants issued. The broker warrants were fair valued using an option pricing model with the same assumptions as the share purchase warrants. As a result, the fair value was estimated at \$139,350, recorded as a credit to contributed surplus with a corresponding debit of \$139,350 to share issuance costs.

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10. Capital stock (continued):

(b) Issued and outstanding (continued):

As at February 28, 2009 \$577,899 of the proceeds relating to this private placement had not been received and are recognized as a current receivable. These funds were subsequently received by the Company after February 28, 2009.

- (vii) Subsequent to year end, on March 19, 2009, the Company issued 2,958,680 units at a price of \$0.30 per unit for gross proceeds of \$887,595. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share for a period of six months at a price of \$0.50 per share. All securities issued are subject to a holding period expiring July 19, 2009.

During the year ended February 29, 2008:

- (i) The Company issued 550,000 units at a price of \$1.50 per unit by way of a private placement for total proceeds of \$825,000. Each unit consisted of one common share and one half share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of \$1.75 per share for a period of two years. 400,000 non-flow-through (NFT units) were sold and 150,000 flow-through (FT units) were sold. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 104.75% volatility, 0% dividend yield, 4.19% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at \$280,641, recorded as a credit to contributed surplus with a corresponding debit of \$76,538 to share capital and \$204,103 charge to share capital for warrants granted to officers and employees. Other issue costs include finders' fees of \$15,750.
- (ii) The Company issued 699,833 units at a price of \$1.50 per unit by way of a private placement for total proceeds of \$1,049,750. Each unit consisted of one non-flow-through common share and one half share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of \$1.85 per share for a period of two years. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 104.75% volatility, 0% dividend yield, 4.19% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at \$348,862, recorded as a credit to contributed surplus with a corresponding debit of \$286,290 to share capital and \$62,573 charge to share capital for warrants granted to officers and employees. Other issue costs include finders' fees of \$54,990.

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10. Capital stock (continued):

(b) Issued and outstanding (continued):

- (iii) The Company issued 393,500 units at a price of \$2.00 per unit by way of a private placement for total proceeds of \$787,000. Each unit consisted of one flow-through common share and one half share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of \$2.40 per share for a period of two years. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 104.72% volatility, 0% dividend yield, 4.10% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at \$205,115, recorded as a credit to contributed surplus with a corresponding debit of \$138,770 to share capital and \$66,346 charge to share capital for warrants granted to officers and employees. Other issue costs include finders' fees of \$32,996.
- (iv) The Company issued 13,500 units at a price of \$1.50 per unit by way of a private placement for total proceeds of \$20,250. Each unit consisted of one non-flow-through common share and one half share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of \$1.85 per share for a period of two years. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 104.72% volatility, 0% dividend yield, 4.10% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at \$7,260, recorded as a credit to contributed surplus with a corresponding debit of \$7,260 to share issuance.
- (v) The Company issued 100,000 units at a price of \$2.00 per unit by way of a private placement for total proceeds of \$200,000. Each unit consisted of one flow-through common share and one half share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of \$2.40 per share for a period of two years. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 105.52% volatility, 0% dividend yield, 3.74% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at \$41,021, recorded as a credit to contributed surplus with a corresponding debit of \$41,021 to share issuance costs. Other issues costs include finders' fees of \$12,000.
- (vi) The Company issued 129,923 units at a price of \$1.50 per unit by way of a private placement for total proceeds of \$194,885. Each unit consisted of one non-flow-through common share and one half share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of \$1.85 per share for a period of two years. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 104.36% volatility, 0% dividend yield, 3.15% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at \$44,535, recorded as a credit to contributed surplus with a corresponding debit of \$6,856 to share issuance costs and \$37,679 charge to share capital for warrants granted to officers and employees.

INTERNATIONAL WAYSIDE GOLD MINES LTD.

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Years ended February 28, 2009 and February 29, 2008

10. Capital stock (continued):

(b) Issued and outstanding (continued):

During the year ended February 29, 2008 (continued):

- (vii) The Company issued 91,837 common shares at a price of \$2.45 per share, as part of a property transfer agreement dated January 16, 2006 with Lions Gate Energy Inc. to acquire 100% of their mineral property interests located in Wells, British Columbia, note 6(b)(ii).
- (viii) The Company upon the conversion of convertible notes and accrued interest issued 2,033,838 common shares at the price of \$2.50 per share.

(c) Flow-through shares:

During fiscal 2009, the Company raised a total of \$350,000 by way of issuing flow-through common shares (2008 - \$1,212,000).

Of the \$350,000 raised, \$nil has been renounced at December 31, 2008 nor February 28, 2009. The Company is committed to incur \$350,000 on or before 24 months prior to December 31, 2010. Of the \$1,212,000 raised and renounced in 2008, approximately \$1,032,062 has been expended as of December 31, 2008. The total Part XII.6 tax and penalty calculation of \$94,000 (2008 – \$6,700) on unspent flow-through funds from fiscal years 2008 and 2009 flow-through issuances is recorded in “Bank charges, interest and commissions”.

Expenditures related to the use of flow-through share proceeds are included in mineral properties but are not available as a tax deduction to the Company as the tax benefits of these expenditures have been renounced to the investors (note 14).

Prior year Part XII.6 tax calculations have been restated as a result of a Canadian Revenue Agency audit. See note 16.

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10. Capital stock (continued):

(d) Share purchase options:

Pursuant to the policies of the TSX-V, the Company may grant incentive stock options to its officers, directors, employees and consultants. TSX-V policies permit the Company's directors to grant incentive stock options for the purchase of shares of the Company to persons in consideration for services. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual (maximum of 2% to any consultant). The exercise price of stock options is determined by the board of directors of the Company at the time of grant and may not be less than the closing price of the Company's shares on the trading day immediately preceding the date on which the option is granted and publicly announced, less an applicable discount, and may not otherwise be less than \$0.10 per share. Options have a maximum term of five years and terminate 90 days following the termination of the optionee's employment, except in the case of retirement, death or disability, in which case they terminate one year after the event. Vesting periods of options is determined at the time of granting of the options at the discretion of the board of directors. Once approved and vested, options are exercisable at any time.

The continuity of the Company's share purchase options for the year ended February 28, 2009 and February 29, 2008, all of which are exercisable, is as follows:

Weighted Average Exercise Price	Expiry Date	Balance February 29, 2008	Changes in the Period			Balance February 28, 2009
			Granted	Exercised	Expired/ Cancelled	
\$0.59 (1)	November 16, 2012	181,057	-	-	-	181,057
\$0.44 (2)	July 13, 2010	401,381	-	-	-	401,381
\$1.45	March 2, 2009*	67,000	-	-	-	67,000
\$2.91	February 2, 2009	17,000	-	-	(17,000)	-
\$3.60	September 30, 2008	28,134	-	-	(28,134)	-
\$3.60	October 3, 2008	7,950	-	-	(7,950)	-
		<u>702,522</u>	<u>-</u>	<u>-</u>	<u>(53,084)</u>	<u>649,438</u>
Weighted average exercise price		<u>\$0.76</u>	<u>-</u>	<u>-</u>	<u>\$3.57</u>	<u>\$2.57</u>

*Subsequent to year end the March 2, 2009 share purchase options expired without being exercised.

10. Capital stock (continued):

(d) Share purchase options:

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(Expressed in Canadian dollars)

Years ended February 28, 2009 and February 29, 2008

		Changes in the Year				
Exercise Price	Expiry Date	Balance February 28, 2007	Granted	Exercised	Expired/ Cancelled	Balance February 29, 2008
\$2.20 (1)	November 16, 2012	-	191,057	-	(10,000)	181,057
\$2.50 (2)	July 13, 2010	-	461,381	-	(60,000)	401,381
\$4.00	March 2, 2009	87,600	-	-	(20,600)	67,000
\$3.60	February 2, 2009	39,618	-	-	(22,618)	17,000
\$3.30	September 30, 2008	42,634	-	-	(14,500)	28,134
\$3.60	October 3, 2008	12,450	-	-	(4,500)	7,950
\$3.60	November 26, 2007	9,403	-	-	(9,403)	-
\$3.60	May 15, 2007	40,742	-	-	(40,742)	-
		232,447	652,438	-	(182,363)	702,522
Weighted average exercise price		\$3.70	\$2.41	-	\$3.18	\$2.64

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Years ended February 28, 2009 and February 29, 2008

The Company accounts for stock option grants using the fair value method by a charge against earnings (loss) at the time of grant. During the year the Company recorded stock-based compensation expense totaling \$46,039 (2008 - \$1,217,750), including \$nil (2008 - \$1,157,355), for new stock options issued during the year, \$nil (2008 - \$60,395) for extension of warrants granted to officers and employees, and \$46,039 (2008 - \$nil) for re-pricing of share purchase options.

On September 26, 2008, the Company received disinterested shareholder approval to re-price 570,638 share purchase options outstanding at August 26, 2008 exercisable at prices of between \$2.20 and \$4.00 per share to a price of \$0.26 per share, being the share price of the Company on the day following the January 16, 2009 share consolidation. The re-pricing resulted in a stock based compensation charge of \$46,039.

The weighted average fair value of the re-priced options was estimated to be \$46,039, using the Black-Scholes Option Pricing Model with the following assumptions: 162% Volatility, 0% dividend yield, 1% risk-free interest rate and an weighted average expected life of 1.9 years.

In the year ended February 28, 2008:

- (1) Fixed share purchase options were granted to directors, employees and consultants of the Company for the purchase of up to 191,057 common shares at an exercise price of \$2.20 per share, expiring November 16, 2012.

The weighted average fair value of options granted was estimated to be \$351,050, using the Black-Scholes Option Pricing Model with the following assumptions: 119% volatility, 0% dividend yield, 3.99% risk-free interest rate and an expected life of 5 years.

- (2) Fixed share purchase options were granted to directors, employees and consultants of the Company for the purchase of up to 461,381 common shares at an exercise price of \$2.50 per share, expiring July 3, 2010.

The weighted average fair value of options granted was estimated to be \$806,305 using the Black-Scholes Option Pricing Model with the following assumptions: 115% volatility, 0% dividend yield, 3.99% risk-free interest rate and an expected life of 3 years.

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, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

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(Expressed in Canadian dollars)

Years ended February 28, 2009 and February 29, 2008

10. Capital stock (continued):

(f) Share purchase warrants:

The continuity of the Company's share purchase warrants for the year ended February 28, 2009 is as follows:

Exercise Price	Expiry Date	Balance February 29, 2008	Changes in the Period			Balance February 28, 2009
			Granted	Exercised	Expired/ Cancelled	
\$6.50	May 16, 2008	45,802	-	-	(45,802)	-
\$6.50	June 16, 2008	5,611	-	-	(5,611)	-
\$3.50	July 28, 2008	175,000	-	-	(175,000)	-
\$3.50	August 14, 2008	103,500	-	-	(103,500)	-
\$3.50	October 12, 2008	32,350	-	-	(32,350)	-
\$3.50	October 19, 2008	72,200	-	-	(72,200)	-
\$3.50	December 4, 2008	60,000	-	-	(60,000)	-
\$3.00	December 29, 2008	485,795	-	-	(485,795)	-
\$3.00	January 26, 2009	19,987	-	-	(19,987)	-
\$3.00	February 2, 2009	8,475	-	-	(8,475)	-
\$3.00	February 14, 2009	8,333	-	-	(8,333)	-
\$3.00	June 4, 2009*	9,063	-	-	-	9,063
\$3.00	June 7, 2009*	10,933	-	-	-	10,933
\$3.00	July 3, 2009	474,332	-	-	-	474,332
\$1.75	September 18, 2009	275,000	-	-	-	275,000
\$1.85	September 18, 2009	318,417	-	-	-	318,417
\$1.85	September 28, 2009	31,500	-	-	-	31,500
\$2.40	November 19, 2009	52,500	-	-	-	52,500
\$2.40	November 5, 2009	144,250	-	-	-	144,250
\$1.90	November 5, 2009	6,750	-	-	-	6,750
\$2.40	December 31, 2009	50,000	-	-	-	50,000
\$1.90	January 19, 2010	64,962	-	-	-	64,962
\$1.85	March 4, 2010	-	365,000	-	-	365,000
\$1.00	July 18, 2010	-	413,947	-	-	413,947
\$0.50	January 30, 2010	-	437,500	-	-	437,500
\$1.00	January 30, 2011	-	145,834	-	-	145,834
\$0.50	Aug 27, 2009	-	5,583,100	-	-	5,583,100
\$0.50	Aug 27, 2009	-	556,304	-	-	556,304
		2,454,760	7,501,685	-	(1,017,053)	8,939,392

* Subsequent to year end the share purchase warrants expiring on June 4, and June 7 2009 were not exercised.

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Years ended February 28, 2009 and February 29, 2008

10. Capital stock (continued):

(f) Share purchase warrants (Continued):

The continuity of the Company's share purchase warrants for the year ended February 29, 2008 is as follows:

Exercise Price	Expiry Date	Balance February 28, 2007	Changes in the Year			Balance February 29, 2008
			Granted	Exercised	Expired/Cancelled	
\$12.00	March 7, 2007	18,000	-	-	(18,000)	-
\$4.00	October 24, 2007	63,200	-	-	(63,200)	-
\$4.00	November 21, 2007	79,000	-	-	(79,000)	-
\$4.00	January 30, 2008	92,142	-	-	(92,142)	-
\$4.00	February 21, 2008	500,000	-	-	(500,000)	-
\$6.50	May 16, 2008	45,802	-	-	-	45,802
\$6.50	June 16, 2008	5,611	-	-	-	5,611
\$3.50	July 28, 2008	175,000	-	-	-	175,000
\$3.50	August 14, 2008	103,500	-	-	-	103,500
\$3.50	October 12, 2008	32,350	-	-	-	32,350
\$3.50	October 19, 2008	72,200	-	-	-	72,200
\$3.50	December 4, 2008	60,000	-	-	-	60,000
\$3.00	December 29, 2008	485,795	-	-	-	485,795
\$3.00	January 26, 2009	19,987	-	-	-	19,987
\$3.00	February 2, 2009	8,475	-	-	-	8,475
\$3.00	February 14, 2009	8,333	-	-	-	8,333
\$3.00	June 4, 2009	-	9,063	-	-	9,063
\$3.00	June 7, 2009	-	10,933	-	-	10,933
\$3.00	July 3, 2009	-	474,332	-	-	474,332
\$1.75	September 18, 2009	-	275,000	-	-	275,000
\$1.85	September 18, 2209	-	318,417	-	-	318,417
\$1.85	September 28, 2009	-	31,500	-	-	31,500
\$2.40	November 19, 2009	-	52,500	-	-	52,500
\$2.40	November 5, 2009	-	144,250	-	-	144,250
\$1.90	November 5, 2009	-	6,750	-	-	6,750
\$2.40	December 31, 2009	-	50,000	-	-	50,000
\$1.90	January 19, 2010	-	64,962	-	-	64,962
		1,769,395	1,437,707	-	(752,342)	2,454,760

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11. Contributed surplus:

Balance, February 28, 2007	4,094,424
Fair value of warrants on convertible notes (note 10(e))	735,862
Fair value of warrants, agent option on private placements and extensions (note 10(b), 10(e))	1,035,990
Fiscal 2008 stock-based compensation (note 10(d))	1,217,750
Equity portion of convertible note	634,610
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Balance, February 29, 2008	\$ 7,718,636
Fair value of warrants, agent option on private placements and extensions	1,986,531
Fair value of shares in excess of settlement amount	45,000
Fair value of share option re-pricing	46,039
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Balance, February 28, 2009	\$ 9,796,206

12. Accumulated other comprehensive loss

Balance, February 28, 2007	\$ -
Unrealized loss on available for sale investments (note 4)	(11,730)
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Balance, February 29 2008	(11,730)
Unrealized loss on available for sale investments (note 4)	(4,140)
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Balance, February 28, 2009	\$ (15,870)

13. Segment disclosures

The Company considers its business to comprise a single operating segment, being exploration of resource properties, within the geographic area of British Columbia, Canada.

INTERNATIONAL WAYSIDE GOLD MINES LTD.

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Years ended February 28, 2009 and February 29, 2008

14. Contingencies:

Contingencies not already disclosed are included below.

Tax-

The Canada Revenue Agency ("CRA") is conducting an audit of the Canadian exploration expenditures ("CEE") incurred by the Company that were renounced on certain flow-through shares issued for taxation years 2000 through 2006. Between taxation years 2000 and 2009, CRA and the Company have estimated \$1.26 million of flow-through share proceeds raised that were in excess of qualifying flow-through share expenditures incurred over this period. Under the flow-through share agreements, the Company was committed to spend the flow-through share proceeds on qualifying flow-through exploration expenditures and indemnified the holders of such shares for any tax and other costs payable by the flow-through shareholders in the event the Company failed to make the required exploration expenditures. As of the date of the financial statements, the Company and CRA are in discussion on the above estimate. On resolution of this discussion and finality of the flow-through share proceeds raised in excess of qualifying flow-through expenditures incurred, it is the Company's intention to settle this liability, as discussed below, has accrued the estimated settlement amount. During the year the Company recognized an additional \$122,000 for indemnification of flow-through investors and charged these to bank charges, interest and commissions in the statement of operations. At balance date the Company has recognized a provision of \$569,000 (2008: \$447,000) for the estimated settlement. See Note 16 for restatement to recognize initial provision.

Subscription and Renunciation Agreement-

The Company and a non-related party entered into a subscription and renunciation agreement ("SRA") whereby the Company was to incur and renounce exploration expenditures in an amount equal to \$350,000 by October 31, 2007. Failure to incur and renounce the full amount resulted in the Company owing the non-related party an amount equal to the amount of any tax payable under the Tax Act, referred to as the "Commitment", arising from the non-related party not receiving exploration tax credits equal to \$350,000. The Company incurred and renounced \$245,000 on October 31, 2007 leaving \$105,000 un-renounced. Consequently, the commitment fee owed and accrued in accounts payable and accrued liabilities to the non-related party under the SRA at February 29, 2008 was approximately \$38,850, being the un-renounced amount of \$105,000 multiplied by the estimated effective tax rate of the non-related party of 37%.

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14. Contingencies (Continued):

Subscription and Renunciation Agreement- Continued

Subject to approval by regulatory authorities, the Company and the non-related party in the SRA, agreed that the Company would:

- Incur and renounce on behalf of the non-related party \$105,000 in exploration expenditures on or before October 31, 2008 (Renounced)
- Issue 555,000 common shares to satisfy the Commitment in the above paragraph. The shares have not yet been issued and the \$38,857 remains in accounts payable and accrued liabilities as at February 28, 2009.

15. Income taxes:

- (a) The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2009	2008
	30.75%	33.51%
Income tax benefit computed at statutory rate	\$ (915,300)	\$(1,730,100)
Permanent difference due to stock based compensation	14,100	408,000
Permanent difference due to exploration costs	474,000	290,000
Permanent other	19,300	518,900
Share Issue Costs	(63,800)	(104,400)
Expiry of loss carry-forward	26,800	116,100
Effect of reduction in statutory rates	344,400	2,164,400
Increase (decrease) in valuation allowance in the year	100,500	(1,662,900)
Future income tax recovery	\$ -	\$ -

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

	2009	2008
<u>Future income tax assets:</u>	25%	26%
Losses carried forward	\$ 4,335,000	\$ 4,138,000
Mineral properties	2,420,000	2,520,000
Undeducted financing costs	162,000	172,000
Capital Assets	172,000	168,000
Asset retirement obligation	36,000	27,000
Total future income tax assets	7,125,000	7,025,000

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Valuation allowance	(7,125,000)	(7,025,000)
	\$ -	\$ -

15. Income taxes (Continued):

At February 28, 2009, the Company has operating loss carry forwards for income tax purposes of approximately \$17,327,000 that expire at various dates to 2029.

Year of Expiry	\$
2010	739,000
2014	4,366,000
2015	1,487,000
2026	1,761,000
2027	4,728,000
2028	2,729,000
2029	1,517,000
	<u>\$ 17,327,000</u>

16. Restatement of prior year figures

The Company has restated its 2008 accounts payable and accrued liability in respect of previously under-accrued late filing penalties and accrued interest associated with flow-through share renunciation compliance requirements. The accounts payable and accrued liabilities as at February 29, 2008 has been increased by \$916,000 with a corresponding increase in Part XII.6 tax and related interest and penalties of \$68,000 included in bank charges, interest and commissions and \$848,000 charged to opening February 29, 2008 deficit. Included in this amount is \$447,000 relating to the estimated settlement and \$401,000 relating to Part XII.6 tax and related interest and penalties for periods prior to March 1, 2007.

The Company has also restated its 2008 Mineral Properties in respect of previously recognized government grants known as British Columbia Mining Tax Credit (BCMETS) received in error in 2002 and 2003. Mineral Properties as at February 29, 2008 has been increased by \$215,000 with a corresponding increase to accounts payable and accrued liabilities of \$215,000.

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17. Subsequent events

a) On April 9, 2009, the Company granted incentive stock options to directors, officers, employees and consultants of the Company to purchase up to an aggregate of 2,301,161 common shares in the capital stock of the Company. The options are exercisable at a price of \$0.41 per share for a period of five years from the date of grant.

b) Subsequent to year end, the Company entered into an asset sale agreement with Golden Cariboo Resources Ltd. ("GCC"), a related party by common directors. The Company agreed to purchase an interest in the Cariboo Properties located near Barkerville, BC. The terms of the agreement are as follows:

(i) Cash payment of \$600,000 on the closing date of the purchase of GCC's interest in the Cariboo Properties (the "Closing Date");

(ii) Issuance of \$600,000 worth of the Company's common shares on the Closing Date at a price per share equal to the closing price of such shares on the TSX Venture Exchange on the day preceding the date of issuance of such shares;

(iii) Issuance of \$600,000 worth of the Company's common shares on the first anniversary of the Closing Date at a price per share equal to the closing price of such shares on the TSX Venture Exchange on the day preceding the date of issuance of such shares; and

(iv) Issuance of \$500,000 worth of the Company's common shares on the second anniversary of the Closing Date at a price per share equal to the closing price of such shares on the TSX Venture Exchange on the day preceding the date of issuance of such shares.