

Blue Note Mining Inc.
Interim Consolidated Financial Statements
March 31, 2010
(unaudited)

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UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed the unaudited consolidated financial statements for three months period ended March 31, 2010.

Blue Note Mining Inc.

Consolidated Balance Sheets (unaudited)

See going concern uncertainty – note 2

	March 31, 2010 \$ Successor	December 31, 2009 \$ Successor
Assets		
<i>Current assets</i>		
Cash and cash equivalents	1,465,768	572,978
Marketable securities (note 6)	1,051,184	-
Sundry receivables (note 7)	500,909	631,715
Consideration receivable (note 5)	564,526	-
Prepaid expenses	203,699	252,232
	3,786,086	1,456,925
Reclamation deposits (note 10)	105,177	-
Consideration receivable (note 5)	503,574	-
Mineral properties and exploration costs (note 8)	12,868,803	7,620,838
Property and equipment (note 9)	75,587	80,190
Deferred share issue costs	-	100,000
	17,339,227	9,257,953
Liabilities		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities	508,052	464,602
	508,052	464,602
Asset retirement obligation (note 11)	141,825	-
	649,877	464,602
Shareholders' equity		
Share capital (note 12)	17,024,513	9,327,482
Warrants (note 12)	694,846	281,478
Contributed surplus	393,268	160,025
Deficit	(1,423,277)	(975,634)
	16,689,350	8,793,351
	17,339,227	9,257,953

See accompanying notes to the interim unaudited consolidated financial statements

On behalf of the board:

Signed: "David Crevier" Director

Signed: "Michael Judson" Director

Blue Note Mining Inc.

Consolidated Statements of Loss, Comprehensive Loss and deficit (unaudited)

See going concern uncertainty – note 2

Three months ended March 31,	2010 \$ Successor	2009 \$ Predecessor
Revenue		
Interest income	1,435	9,322
Depletion and depreciation	12,113	22,230
Corporate general and administration	1,117,567	1,596,195
Exploration	4,618	-
Foreign exchange (gain)	(52)	-
Interest on long term debt	1,085	681,849
Other interest and financial charges	759	6,454
Loss on disposal of long-lived assets	-	25,542
Gain on short term investment	(501,371)	(254,109)
	634,718	2,078,161
Loss before income taxes	(633,283)	(2,068,839)
Future income taxes recovered	185,640	-
Net Loss	(447,643)	(2,068,839)
Gain (loss) discontinued operations	-	(1,933,408)
Net (loss) and comprehensive loss for the period	(447,643)	(4,002,247)
Deficit - beginning of period	(975,634)	(179,515,759)
Deficit - end of period	(1,423,277)	(183,518,006)
Basic loss per share and diluted loss per share		
From continuing operations	(0.005)	(0.006)
From discontinued operations	-	(0.005)
Net loss	(0.005)	(0.011)
Weighted average number of shares outstanding	88,422,745	363,187,387

The calculation of the weighted average number of common shares outstanding, for the Predecessor, does not reflect the share consolidation of 30 for one.

See accompanying notes to the interim unaudited consolidated financial statements

Blue Note Mining Inc.

Consolidated Statements of Shareholders' Equity (unaudited)

See going concern uncertainty – note 2

	Share capital		Warrants		Stock options and broker warrants	Contributed Surplus	Deficit	Total
	Number	\$	Number	\$	Number	\$	\$	\$
Balance - December 31, 2008	363,269,313	111,135,134	35,750,000	2,440,622	41,667,833	15,976,153	(179,515,759)	129,551,909
Options issued and stock based compensation charged to operations	-	-	-	-	2,000,000	134,660	-	134,660
Options forfeited	-	-	-	-	(14,682,000)	(33,719)	-	(33,719)
Net income from January 1 to August 31, 2009	-	-	-	-	-	-	12,721,556	12,721,556
Balance - August 31, 2009 - Predecessor	363,269,313	111,135,134	35,750,000	2,440,622	28,985,833	16,077,094	(166,794,203)	129,652,850
Share consolidation 30:1	12,108,981	-	1,191,667	-	966,194	-	-	-
Share issued for restructuring	36,326,935	43,059,815	-	-	-	-	-	43,059,815
Fresh start accounting	(363,269,313)	(145,217,908)	-	(2,440,622)	-	(16,077,094)	166,794,203	3,058,579
Balance - August 31, 2009 -Successor	48,435,916	8,977,041	1,191,667	-	966,194	-	-	8,977,041
Equity issued	3,808,695	350,441	-	-	-	-	-	350,441
Options issued and stock based compensation charged to operations	-	-	-	-	2,900,000	100,525	-	100,525
Warrants	-	-	2,417,028	281,478	-	-	-	281,478
Broker warrants	-	-	-	-	367,139	59,500	-	59,500
Net income from September 1 to December 31, 2009	-	-	-	-	-	-	(975,634)	(975,634)
Balance - December 31, 2009 - Successor	52,244,611	9,327,482	3,608,695	281,478	4,233,333	160,025	(975,634)	8,793,351
Equity issued	52,550,685	7,882,671	-	-	-	-	-	7,882,671
Future income taxes on flow through expenses renounces	-	(185,640)	-	-	-	-	-	(185,640)
Options issued and stock based compensation charged to operations	-	-	-	-	4,500,000	139,910	-	139,910
Warrants	-	-	10,001,904	413,368	-	-	-	413,368
Broker warrants	-	-	-	-	1,666,667	93,333	-	93,333
Net income from January 1 to March 31, 2010	-	-	-	-	-	-	(447,643)	(447,643)
Balance - March 31, 2010 -Successor	104,795,296	17,024,513	13,610,599	694,846	10,400,000	393,268	(1,423,277)	16,689,350

See accompanying notes to the interim unaudited consolidated financial statements

Blue Note Mining Inc.

Consolidated Statements of Cash Flows (unaudited)

See going concern uncertainty – note 2

Three months ended March 31,	2010 \$ Successor	2009 \$ Predecessor
Cash provided from (used for):		
Operating activities		
Net loss	(447,643)	(2,068,839)
<i>Non-cash items:</i>		
Future income taxes recovered	(185,640)	-
Depreciation of mining & capital assets	12,113	22,230
Non-cash stock-based compensation	139,910	37,831
Gain on disposal of short-term investment	(501,371)	(254,109)
Loss on disposal of property and equipment	-	25,542
Net changes in non-cash components of operating working capital	(192,035)	(458,660)
Cash-flow provided by continuing operating activities	(1,174,667)	(2,696,005)
Cash-flow provided by discontinued operating activities	-	21,874
Cash-flow provided by operating activities	(1,174,667)	(2,674,131)
Financing activities		
Proceeds from the issue of equity	896,387	-
Cash-flow provided by continuing financing activities	896,387	-
Cash-flow provided by discontinued financing activities	-	(40,921)
Cash-flow provided by financing activities	896,387	(40,921)
Investing activities		
Proceeds from sale of marketable securities	1,094,542	254,109
Mining properties and deferred exploration costs	(41,330)	(55,544)
Deferred acquisition costs	100,000	27,397
Disposition of office furniture and equipment	(3,645)	1,656
Cash-flow provided by continuing investing activities	1,149,567	227,618
Cash-flow provided by discontinued investing activities	-	-
Cash-flow provided by investing activities	1,149,567	227,618
Net increase (decrease) in cash provided by continuing activities	871,287	(2,468,387)
Net increase (decrease) in cash provided by discontinued activities	-	(19,047)
Net increase (decrease) in cash and cash equivalents	871,287	(2,487,434)
Cash and cash equivalents - beginning of period		
From continuing operations	594,481	5,430,174
From discontinued operations	-	32,439
	594,481	5,462,614
Cash and cash equivalents - end of period		
From continuing operations	1,465,768	2,961,787
From discontinued operations	-	13,393
	1,465,768	2,975,180
Represented by:		
Cash	1,465,768	575,516
Cash equivalents	-	2,399,664
	1,465,768	2,975,180

See accompanying notes to the interim unaudited consolidated financial statements

Blue Note Mining Inc.

Note to the Consolidated Financial Statements (unaudited)

March 31, 2010

1. Plan of arrangement and reorganization

Blue Note Mining Inc. (the "Predecessor" prior to August 31, 2009 or the "Successor" or the "Corporation" subsequent to August 31, 2009) is a mineral exploration and mining company with gold and base metal exploration properties located in New Brunswick, Quebec and Ontario with the recent purchase of X-Ore Resources Inc. ("X-ORE"). The business of the Corporation is to pursue its business plan of turning around challenging mining projects and targeting under-valued mining opportunities. The minerals being targeted by the Corporation are gold, silver, zinc, lead and copper.

As a result of the uneconomic nature of the Predecessor's wholly-owned subsidiary, Blue Note Caribou Mines Inc ("BNC") operations at commodities prices prevailing in 2008, and the Predecessor's inability to obtain financing given then existing market conditions, BNC sought protection under the Companies' Creditors Arrangement Act ("CCAA"), on February 20, 2009. The majority of the operating assets of the Predecessor were held in BNC. BNC filed for bankruptcy on June 30, 2009. As of the date of this filing, the Predecessor concluded that it had lost its control over BNC and therefore classified its investment as held-for-trading.

As a result of the bankruptcy of BNC and the inability to obtain financing under the existing market conditions, the Predecessor decided to seek protection under CCAA on June 12, 2009 (the "Filing Date").

On July 17, 2009, the Predecessor's creditors approved the proposed plan of arrangement and reorganization (the "Plan") submitted to them by the Predecessor under the CCAA. At a meeting held on July 17, 2009, 95% of the votes registered by the Predecessor's creditors were in favor of the Plan. On August 4, 2009, the Quebec Superior Court ratified the Plan effective August 25, 2009 and the Predecessor emerged from protection under CCAA on August 31, 2009.

Under the terms of the Plan, selected creditors received \$2,500,000 in cash and 74.36% of the Successor's outstanding common shares after share consolidation. The creditors were the senior secured note holders (carrying value of \$25 million); the New Brunswick Provincial Holdings (\$15 million); unpaid accrued interest (\$2.5 million) and other trade creditors (\$1.8 million). The selected creditors received a total of 35,131,088 common shares of the Successor representing 74.36% of the total equity. The Plan included a one for 30 share consolidation of Blue Note's shares.

The implementation of the Plan on August 31, 2009 resulted in a substantial realignment of the interests in the Corporation between its existing creditors and shareholders as of August 31, 2009. As a result, the Successor's balance sheet as at August 31, 2009, has been prepared under the provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1625, *Comprehensive Revaluation of Assets and Liabilities* ("fresh start accounting"). Fresh start accounting requires resetting the historical net book value of assets and liabilities to fair value by allocating the entity's reorganization value of \$8,977,041 to its assets and liabilities in a manner consistent with the CICA Handbook Section 1581, *Business Combinations*. The excess reorganization value over the fair value of tangible and identifiable intangible assets and liabilities has been recorded as a reduction to share capital in the balance sheet. Future income taxes, at August 31, 2009 have been determined in accordance with CICA Handbook Section 3465, *Income Taxes*. As a result of applying fresh start accounting, the Predecessor became a new entity for financial reporting purposes. Accordingly, the financial statements of the Successor on or after August 31, 2009 are not comparable to the financial statements of the Predecessor prior to that date.

The Successor has performed an assessment of the fair value of the identifiable assets and liabilities. Management's estimates of fair value are based on independent appraisals and valuations. There are three generally accepted valuation approaches in the mining industry; a) income approach, b) market approach and c) cost approach. The process of determining the fair value of the identifiable assets and liabilities resulted in an adjustment of \$2,962,953 in fair value was recorded in these assets and liabilities at the fresh start date which resulted in an increase of the Successor's equity.

Blue Note Mining Inc.

Note to the Consolidated Financial Statements (unaudited)

March 31, 2010

1. Plan of arrangement and reorganization (continued)

The Predecessor's financial information has been presented to provide additional information for the reader. Detailed information on the plan of arrangement, the impact of adjustments and fresh start accounting is available in the annual audited financial statements as at December 31, 2009.

2. Basis of presentation and going concern uncertainty

These unaudited interim consolidated financial statements of the Corporation are prepared in accordance with generally accepted accounting principles in Canada for the presentation of interim financial information. All disclosures required for annual financial statements have not been included in the financial statements and therefore these interim consolidated financial statements should be read in conjunction with the Corporation's 2009 annual consolidated financial statements. These financial statements use the same accounting policies and methods used in the preparation of the Corporation's 2009 annual consolidated financial statements, except for the changes in accounting policies described in Note 3. Interim results may not necessarily be indicative of results anticipated for the year.

The Corporation is not currently generating any revenue from its operations activities and for the three month period ended March 31, 2010, the Corporation recorded a loss of \$447,643. The Corporation must secure sufficient funding to maintain its existing operations for exploration programs and general and administration expenses.

Management is seeking financing through the issuance of new equity instruments to continue its activities, but there can be no assurance it will be able to do so in the future. Without new funding being available, the Corporation could be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

These financial statements do not give effect to any adjustments to the amount and classification for assets and liabilities that may be necessary should the Corporation be unable to continue as a going concern. Such adjustments could be material.

3. Change in accounting policies

"Business combinations, Consolidated financial statements and Non-controlling interests"

In January 2009, the Accounting Standards Board issued 3 new accounting standards: Section 1582 "Business Combinations"; Section 1601 "Consolidated Financial Statements"; and Section 1602 "Non-Controlling Interests". These sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The Corporation has adopted these standards on January 1, 2010. Section 1582 has been applied to the business combination described in Note 4. The adoption of Sections 1601 and 1602 had no effect on the unaudited interim consolidated financial statements of the Corporation.

Blue Note Mining Inc.

Note to the Consolidated Financial Statements (unaudited)

March 31, 2010

4. Acquisition of X-Ore Resources Inc.

Effective January 19, 2010, all of the outstanding common shares of X-ORE were acquired by 9216-4706 Quebec Inc., a wholly-owned subsidiary of the Corporation. The transaction took the form of an amalgamation between X-ORE and a wholly-owned subsidiary of the Corporation in exchange for the Corporation's common shares, subject to certain conditions.

The Corporation offered shareholders of X-ORE; 0.50 of the Corporation common share for each X-ORE common share outstanding for a total of 43,017,352 Corporation common shares. Subject to their terms and conditions, 3,337,142 X-ORE warrants and 2,050,000 X-ORE stock options were exchanged for warrants and stock options of the Corporation entitling the holder thereof to receive upon their exercise such number of the Corporation common shares based upon the exchange ratio, in lieu of common shares of X-ORE.

The Corporation is performing an assessment of the fair value of the identifiable assets and liabilities acquired. Management's estimates of fair value are based on independent appraisals and valuations, some of which are not final. There are three generally accepted valuation approaches in the mining industry; a) income approach, b) market approach and c) cost approach. The process of determining the fair value of the identifiable assets and liabilities is not fully completed as of the date of issuance of our unaudited consolidated financial statements and the amounts assigned to the assets and liabilities may be adjusted as new or improved information on asset and liability appraisals become available. This may result in an adjustment to our preliminary allocation of fair value of these assets and liabilities at the acquisition date.

This transaction value was estimated at \$7.3 million and was accounted for following the requirements of Section 1582. The transaction was accounted for under the purchase method and the results of operations of X-Ore Resources Inc. have been included in the consolidated statements of loss, comprehensive loss and deficit as of January 19, 2010.

Assets acquired	\$
Cash and cash equivalents	21,503
Short term investments	1,137,760
Sundry receivable	21,819
Prepaid expenses	24,386
Reclamation deposits	105,177
Mining properties and deferred exploration costs	5,206,523
Capital Assets	3,865
Assets held for sale (note 5)	1,558,030
	8,079,063
Liabilities assumed	
Accounts payable and accrued liabilities	(309,928)
Loan payable	(129,275)
Asset retirement obligation	(141,825)
Debenture	(153,001)
	(734,029)
Net value of assets acquired	7,345,034
Consideration paid	
Shares issued by the Corporation	7,312,950
Warrants issued by the Corporation	30,034
Options issued by the Corporation	2,050
	7,345,034

Blue Note Mining Inc.

Note to the Consolidated Financial Statements (unaudited)

March 31, 2010

5. Assets held for sale

On March 18, 2010, the Corporation and Amex Exploration Inc. ("Amex") jointly have entered into a definitive agreement pursuant to which Amex has acquired all of outstanding shares of X-Ore International Inc., the subsidiary that holds mining assets and conducts exploration activities in Mexico through its subsidiary Minerales X-Ore SA de CV.

The consideration for the transaction consists of staggered cash payments totaling \$200,000, the issuance of 7,000,000 Amex common shares and 1,000,000 common share purchase warrants of Amex to be exercisable over a period of 24 months following their issuance. In addition, Amex assumed all of X-Ore International and Minerals X-Ore SA de CV obligations and liabilities. The Corporation will receive, net from selling costs of \$7,570, a consideration valued at approximately \$1.6 million over the time period as follow:

	\$
Cash received	25,000
Shares received	472,500
Staggered cash	152,152
Staggered shares	907,850
Staggered warrants	8,098
Estimated consideration receivable	1,565,600
Received	(497,500)
Consideration estimated receivable	1,068,100
Less: current portion	564,526
Long term portion	503,574

6. Marketable securities

	March 31, 2010
	\$
	Successor
Rocmec Mining Inc., 300,000 common shares (under escrow)	-
First Gold Exploration Inc., 1,472,000 common shares	368,000
Gold Hawk Resources Inc., 217,200 common shares	210,684
Amex Exploration Inc., 1,500,000 common shares	472,500
	1,051,184

Blue Note Mining Inc.

Note to the Consolidated Financial Statements (unaudited)

March 31, 2010

7. Sundry receivables

	March 31, 2010 \$ Successor	December 31, 2009 \$ Successor
Commodities taxes receivable	83,078	130,973
Receivable from related party	300,992	313,242
Others receivables	116,839	60,000
Loan receivable	-	127,500
	500,909	631,715

The related party is an entity subject to significant influence of the Corporation's chief executive officer. The advance does not bear interest and is due on demand.

8. Mineral properties and exploration costs

	Successor - March 31, 2010		
	Mineral properties \$	Exploration costs \$	Total \$
Mineral and exploration properties	2,339,291	10,529,512	12,868,803
	2,339,291	10,529,512	12,868,803

As a result of the acquisition of X-Ore on January 19, 2010, the Corporation acquired various assets in near Val D'Or, Quebec and Sudbury, Ontario. Included in these assets is the Croinor property, which is held in joint venture with Exploration First Gold Inc. ("EFG") at a 50/50 share participation.

The Corporation is performing an assessment of the fair value of the identifiable assets and liabilities acquired. Management's estimates of fair value are based on independent appraisals and valuations, some of which are not final. There are three generally accepted valuation approaches in the mining industry; a) income approach, b) market approach and c) cost approach. The process of determining the fair value of the identifiable assets and liabilities is not fully completed as of the date of issuance of our unaudited consolidated financial statements and the amounts assigned to the assets and liabilities may be adjusted as new or improved information on asset and liability appraisals become available. This may result in an adjustment to our preliminary allocation of fair value of each property and such adjustments to the recorded fair value of these assets and liabilities at the acquisition date may impact the values ascribed to the Corporation's.

Blue Note Mining Inc.

Note to the Consolidated Financial Statements (unaudited)

March 31, 2010

8. Mineral properties and exploration costs (continued)

	Successor - December 31, 2009		
	Exploration costs		Total
	Mineral properties		
	\$	\$	\$
Mineral and exploration properties	1,239,669	6,381,169	7,620,838
	1,239,669	6,381,169	7,620,838

9. Property and equipment

	Successor - March 31, 2010		
	Cost	Accumulated Depreciation	Net
	\$	\$	\$
Office furniture and equipment	94,684	(27,432)	67,252
Computer equipment	16,020	(7,685)	8,335
	110,704	(35,117)	75,587

	Successor - December 31, 2009		
	Cost	Accumulated Depreciation	Net
	\$	\$	\$
Office furniture and equipment	84,884	(11,200)	73,684
Computer equipment	12,375	(5,869)	6,506
	97,259	(17,069)	80,190

10. Reclamation deposits

As at March 31, 2010, the Corporation has invested \$105,177 in term deposits in accordance with the current financial guarantee requirements set forth by the *Ministère des Ressources naturelles et de la Faune* of the province of Quebec for future site restoration costs at the Croinor mining site. As updated mine closure plans are submitted to and approved by this government body, the related financial guarantee will be adjusted accordingly.

Blue Note Mining Inc.

Note to the Consolidated Financial Statements (unaudited)

March 31, 2010

11. Asset retirement obligations

As at March 31, 2010, \$105,177 of reclamation deposits had been invested in restricted deposits for future site reclamation obligations. During 2010, there were no additional obligations incurred. The Corporation is currently preparing an updated mine closure plan which will be submitted to the government authorities. Actual costs of \$141,825 are based on Management's estimates which are not final but accepted by the government authorities.

12. Shareholders' equity

The Corporation is incorporated under the provisions of the Canada Business Corporations Act.

Authorized: An unlimited number of common and preferred shares with no par value.

	Share capital	
	Number	\$
Balance, December 31, 2009 (Successor)	52,244,611	9,327,482
Issued of shares related to X-Ore Resources acquisition (<i>note 4</i>)	43,017,352	7,312,950
Conversion of debenture	1,200,000	150,000
Tax effect of 2009 flow-through share renunciations	-	(185,640)
Flow-through shares	8,333,333	419,721
Balance, March 31, 2010 (Successor)	104,795,296	17,024,513

(a) Issues during 2010

On January 26, 2010, a former debenture holder of X-Ore Resources exercised its option of converting the debenture into Blue Note shares. The Corporation issued 1,200,000 common shares at \$0.125 per share for a total consideration of \$150,000.

On March 16, 2010, the Corporation closed a private placement of 8,333,333 flow-through units at \$0.12 per unit each composed of 8,333,333 common shares and 8,333,333 warrants to acquire 8,333,333 common shares at \$0.25 over a period of two years. In connection with the issuance of these units, the Corporation incurred cost of \$103,612 and issued 833,333 broker warrants to the agent to acquire 833,333 common shares at \$0.12 per share over a period of two years. The issue generated total gross proceeds of \$1,000,000 and net proceeds of \$896,387. The proceeds were allocated as follows; \$419,721 to share capital; \$383,333 to warrant account; and, \$93,333 to broker warrants.

The fair value of warrants issued in March, was estimated at \$0.046, calculated using Black-Scholes pricing model with the following assumptions: estimated weighted average duration of 2 years for these warrants, risk free interest rate of 2.34%, forecasted volatility of 105% and no forecasted dividend.

Blue Note Mining Inc.

Note to the Consolidated Financial Statements (unaudited)

March 31, 2010

12. Shareholders' equity (continued)

(b) Stock option plan

The activity under the stock option plan, and information concerning outstanding and exercisable options, is as follows:

Period ended March 31,	2010 - Successor		2009 - Predecessor	
	Number of options	Weighted Average Exercise Price \$	Number of options	Weighted Average Exercise Price \$
Balance – beginning of period	3,533,333	1.14	31,682,000	0.22
Options granted under stock option plan	4,500,000	0.23	2,000,000	0.05
Options forfeited	-	-	(8,620,000)	0.19
Balance – end of period	8,033,333	0.63	25,062,000	0.21

The number of options outstanding, for the Predecessor, does not reflect the share consolidation of 30 for one.

The following amounts were recorded as stock-based compensation and credited to contributed surplus for options vesting in the period:

Three months period ended March 31,	2010	2009
	\$ Successor	\$ Predecessor
Directors, management and employee compensation	138,991	37,831
Consultant compensation	919	-
Total charged to earnings	139,910	37,831

Stock based compensation is included in corporate general and administration expenses (quarter ended March 31, 2009 - \$37,831).

Blue Note Mining Inc.

Note to the Consolidated Financial Statements (unaudited)

March 31, 2010

12. Shareholders' equity (continued)

(b) Stock option plan (continued)

As at March 31, 2010, the outstanding options, as issued under the stock option plan to directors, management, employees and consultants for the purchase of one common share per option, are as follows:

Granted	Exercisable	Weighted average Exercise price \$	Expiry date
23,333	23,333	7.50	Jan-11
205,000	205,000	11.70	Jun-11
25,000	25,000	16.80	Nov-12
313,333	155,333	1.50	Dec-13
66,667	50,000	1.50	Mar-14
2,900,000	725,000	0.16	Oct-14
1,000,000	1,000,000	0.37	Apr-10
3,500,000	875,000	0.19	Jan-15
8,033,333	3,058,667	0.63	

The fair values of stock options issued were estimated at their respective grant dates using the Black-Scholes pricing model using the following assumptions:

	January 1, 2010 to March 31, 2010	January 1, 2009 to March 31, 2009
Risk-free interest rate	2.34%	1.63%
Expected life (years)	5	5
Expected volatility	105%	260%
Expected dividend yield	nil	nil
Weighted average grant date fair value; post consolidation	\$0.046	\$0.010

Blue Note Mining Inc.

Note to the Consolidated Financial Statements (unaudited)

March 31, 2010

12. Shareholders' equity (continued)

(c) Broker warrants and units

Three months ended March 31,

	2010		2009	
	Successor		Predecessor	
	Granted	Weighted Average Exercise Price \$	Granted	Weighted Average Exercise Price \$
Balance – beginning of period	700,000	0.23	9,985,833	0.62
Broker warrants issued upon exercise of broker units	1,666,667	0.19	-	-
	2,366,667	0.20	9,985,833	0.62

The number of broker warrants outstanding, for the Predecessor, does not reflect the share consolidation of 30 for one.

(d) Share purchase warrants

Three months ended March 31,

	2010		2009	
	Successor		Predecessor	
	Granted	Weighted Average Exercise Price \$	Granted	Weighted Average Exercise Price \$
Balance – beginning of period	3,608,695	0.26	35,750,000	0.67
Share purchase warrants	10,001,904	0.24	-	-
	13,610,599	0.25	35,750,000	0.67

The number of share purchase warrants outstanding, for the Predecessor, does not reflect the share consolidation of 30 for one.

Blue Note Mining Inc.

Note to the Consolidated Financial Statements (unaudited)

March 31, 2010

13. Supplemental disclosures of expenses and cash flow information

(a) Net changes in non-cash components of operating working capital

Three months period ended March 31,	2010 \$ Successor	2009 \$ Predecessor
Decrease (increase) in:		
Sundry receivable	130,797	631,934
Prepaid expenses	72,921	(275,214)
Advance to subsidiary	-	(974,604)
Increase (decrease) in:		
Account payable and accrued liabilities	(395,754)	159,224
	(192,036)	(458,660)

(b) Interest paid and received

Three months period ended March 31,	2010 \$ Successor	2009 \$ Predecessor
Interest paid	1,091	-
Interest received	1,435	9,188

Blue Note Mining Inc.

Note to the Consolidated Financial Statements (unaudited)

March 31, 2010

14. Capital disclosure

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to pursue the development of its properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages its capital structure and makes adjustments to it in response to changes in general industry conditions and its mining and exploration assets. The Corporation may choose to issue equity or debt, revise its capital expenditure program, and/or sell assets. Access to equity markets is currently very limited due to recent weakening of the global economy and low commodity prices.

The Corporation's capital management objectives, evaluation measures and targets have remained unchanged over the periods presented.

In the management of capital, the Corporation includes shareholders' equity and long-term debt, in the definition of capital as follow:

	March 31, 2010 \$ Successor	December 31, 2009 \$ Predecessor
Shareholder' equity	16,689,350	8,793,351
Long-term debt, including current portion	-	-
	16,689,350	8,793,351

There are no externally imposed capital requirements. The Corporation manages the capital structure and makes adjustments depending on economic conditions.

Blue Note Mining Inc.

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March 31, 2010

15. Financial instruments and risk management

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the “Financial Instruments – Recognition and Measurement” section of *note 3* to the annual audited financial statements as at December 31, 2009, describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at March 31, 2010, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

Period ended	Held for trading	Loans and receivables	Other financial liabilities	Total carrying value and fair value	
				March 31, 2010	December 31, 2009
	\$	\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	1,465,768	-	-	1,465,768	572,978
Marketable securities	1,051,184			1,051,184	
Sundry receivables (1)	-	416,545	-	416,545	500,741
Consideration receivable	-	564,526	-	564,526	
	2,516,952	981,071	-	3,498,023	1,073,719
Financial liabilities					
Account payable and accrued liabilities (2)	-	-	508,052	508,052	464,602
	-	-	508,052	508,052	464,602

¹ Excluding taxes receivable

² Excluding trade payables related to zinc and lead sales, sales and capital taxes.

The Corporation has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. The Company has determined the estimated fair value of its financial instruments based on appropriate valuation methodologies. The estimated fair value amounts can be affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

- **Held of trading:** The cash equivalents have been measured using the fair value determined by reference using inputs other than Level 1 quoted prices for which all significant inputs are observable, either directly or indirectly [Level 2]. At March 31, 2010 and December 31, 2009 the fair value of cash and cash equivalents and approximates their carrying value.
- **Loans and receivables:** The carrying amount of the sundry receivables and consideration receivable is a reasonable approximation of their fair value due to the short-term nature of these financial assets.
- **Other financial liabilities:** The carrying value of the accounts payable and accrued liabilities is a reasonable approximation of their fair value due to the short-term nature of these financial liabilities.

Blue Note Mining Inc.

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16. Discontinued operations

On June 30, 2009, BNC filed for bankruptcy, and the Court appointed monitor, PricewaterhouseCoopers Inc. started liquidation of BNC assets. As of that date, the Predecessor concluded that, based on Canadian GAAP, it had lost its control over BNC. Accordingly, the Predecessor's investment in BNC has no longer been consolidated beginning June 30, 2009. The Predecessor's investment in BNC was classified as held-for-trading and its carrying value was valued at zero. BNC activities were also considered as "Discontinued Operations" in the unaudited consolidated financial statements of the Predecessor.

As of June 30, 2009, immediately prior to deconsolidation, the Predecessor's unaudited consolidated balance sheet included a net assets deficiency of \$154,663,535 represented by the excess of the liabilities and non-controlling interest over BNC assets.

The net assets deficiency and the accumulated comprehensive loss of BNC were reversed upon deconsolidation on June 30, 2009, generating a net gain of \$37,437,864.

Detailed information on the discontinued operations is available in the annual audited financial statements as at December 31, 2009.