

HEATHERDALE RESOURCES LTD.

(Formerly Brass Capital Corp.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**THREE MONTHS ENDED
JANUARY 31, 2010**

(Expressed in United States Dollars, unless otherwise stated)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Heatherdale Resources Ltd.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in United States Dollars)

	Notes	As at	
		January 31 2010	October 31 2009
(Unaudited)			
ASSETS			
Non-current assets			
Property, plant and equipment	5	\$ 14,452,272	\$ 14,440,656
Total non-current assets		14,452,272	14,440,656
Current assets			
Balance receivable from a related party	11	\$ 3,407	\$ 8,791
Trade and other receivables	7	265,803	110,915
Cash and cash equivalents	8	13,919,754	3,985,045
Total current assets		14,188,964	4,104,751
Total Assets		\$ 28,641,236	\$ 18,545,407
EQUITY			
Share capital		\$ 20,332,531	\$ 7,247,276
Reserves		719,452	-
Deficit		(7,656,721)	(4,095,963)
Total equity attributable to equity holders of the Company		13,395,262	3,151,313
Non-controlling interest		14,411,765	14,411,765
Total equity		27,807,027	17,563,078
LIABILITIES			
Current Liabilities			
Balance payable to a related party	11	\$ 178,514	\$ 252,451
Trade and other payables	9	655,695	729,878
Total current liabilities		834,209	982,329
Total Equity and Liabilities		\$ 28,641,236	\$ 18,545,407

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

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on March 31, 2010.

They are signed on the Company's behalf by:

/s/ David J. Copeland

David J. Copeland
Director

/s/ Robert A. Dickinson

Robert A. Dickinson
Director

Heatherdale Resources Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

(Unaudited - Expressed in United States Dollars)

	Notes	Three months ended January 31	
		2010	2009
Expenses			
Exploration		\$ 2,180,356	\$ 21,130
Assays and analysis		83,056	1,126
Depreciation		3,284	-
Drilling		693,563	-
Engineering		9,968	1,334
Environmental		109,458	-
Equipment rental		31,229	-
Freight		65,085	-
Geological		428,148	18,544
Site activities		679,104	-
Socioeconomic		234	-
Travel and accommodation		77,227	126
Administration		1,181,907	16,587
Legal, accounting and audit		198,357	(9,435)
Management and consulting		102,765	8,809
Office and administration		122,161	11,465
Shareholder communication		36,812	3,864
Share-based compensation	6	650,452	-
Travel		33,933	1,884
Trust and filing		37,427	-
Loss from operating activities		3,362,263	37,717
Foreign exchange loss		213,622	941
Interest (income)		(15,127)	(22,207)
Loss before income taxes		3,560,758	16,451
Income taxes	13	-	-
Loss and comprehensive loss for the period		\$ 3,560,758	\$ 16,451
Basic and diluted loss per common share		\$ 0.10	\$ -

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

Heatherdale Resources Ltd.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in United States Dollars)

	Three months ended January 31	
Note	2010	2009
Cash flows from operating activities		
(Loss) for the period	\$ (3,560,758)	\$ (16,451)
Adjustments for:		
Depreciation	3,284	-
Foreign exchange loss	213,622	-
Interest income	(15,127)	(22,207)
Share-based compensation	650,452	-
	(2,708,527)	(38,658)
Changes in non-cash working capital items		
(Increase) in trade and other receivables	(129,578)	(1,883)
Decrease in balances receivable from related parties	5,384	597
(Decrease) in trade and other payables	(96,510)	(61,365)
(Decrease) increase in balances payable to related parties	(73,937)	210
	(294,641)	(62,441)
Net cash (used in) operating activities	(3,003,168)	(101,099)
Cash flows from investing activities		
Interest income	15,127	22,207
Cash received on reverse asset acquisition	2 102,328	-
Acquisition of property, plant and equipment	(14,900)	-
Net cash provided by investing activities	102,555	22,207
Cash flows from financing activities		
Shares issued for cash, net of issue costs on private placement	13,023,474	-
Shares issued on exercise of options	25,470	-
Net cash provided by financing activities	13,048,944	-
Net increase (decrease) in cash and cash equivalents	10,148,331	(78,892)
Effect of exchange rate fluctuations on cash held	(213,622)	-
	9,934,709	(78,892)
Cash and cash equivalents at beginning of the period	3,985,045	5,615,076
Cash and cash equivalents at end of the period	\$ 13,919,754	\$ 5,536,184

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

Heatherdale Resources Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited - Expressed in United States Dollars)

	Attributable to equity holders of the Company						
	Notes	Share Capital	Equity settled share-based payments reserve	Deficit	Total	Non- controlling interest (note 5)	Total Equity
Balance at November 1, 2008		\$ 7,247,276	\$ -	\$ (1,506,514)	\$ 5,740,762	\$ -	\$ 5,740,762
Total comprehensive loss		-	-	(16,451)	(16,451)	-	(16,451)
Balance at January 31, 2009		\$ 7,247,276	\$ -	\$ (1,522,965)	\$ 5,724,311	\$ -	\$ 5,724,311
Balance at November 1, 2009		\$ 7,247,276	\$ -	\$ (4,095,963)	\$ 3,151,313	\$ 14,411,765	\$ 17,563,078
Shares issued for cash on private placement		13,023,474	-	-	13,023,474	-	13,023,474
Shares issued on exercise of options		25,470	-	-	25,470	-	25,470
Fair value of net assets acquired in reverse asset acquisition	2	105,311	-	-	105,311	-	105,311
Share-based compensation - share issue costs		(69,000)	69,000	-	-	-	-
Share-based compensation		-	650,452	-	650,452	-	650,452
Total comprehensive loss		-	-	(3,560,758)	(3,560,758)	-	(3,560,758)
Balance at January 31, 2010		\$ 20,332,531	\$ 719,452	\$ (7,656,721)	\$ 13,395,262	\$ 14,411,765	\$ 27,807,027

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

Heatherdale Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended January 31, 2010 and 2009

(Unaudited - Expressed in United States dollars, unless stated otherwise)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Heatherdale Resources Ltd. (formerly Brass Capital Corp.) (the "Company") was incorporated under the laws of the Province of Alberta, Canada on November 6, 2007 and continued under the laws of the Province of British Columbia, Canada on November 16, 2009. These condensed consolidated interim financial statements of the Company as at and for the period ended January 31, 2010 comprise Heatherdale Resources Ltd. and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). Heatherdale Resources Ltd. is the ultimate parent entity of the Group.

The Group holds a 51% interest in the Niblack copper-gold-zinc-silver project in southeast Alaska (the "Niblack Project") (note 4). The Group is in the process of exploring its mineral property interest and has not yet determined whether its mineral property interest contains economically recoverable mineral reserves. The Group's continuing operations and the underlying value and recoverability of the amount when shown for the mineral property interest is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Group to obtain the necessary financing to complete the exploration and development of its mineral property interest, obtaining the necessary permits to mine, and on future profitable production of the proceeds from the disposition of the mineral property interest.

2. QUALIFYING TRANSACTION AND REVERSE ASSET ACQUISITION

On November 17, 2009, the Company completed a qualifying transaction ("QT") in accordance with TSX Venture Exchange Inc. ("TSX V") Policy 2.4 whereby the Company acquired all the issued shares of Heatherdale Holdings (Canada) Ltd. (formerly Heatherdale Resources Ltd.) on a one for one basis. Under the terms of the transaction the Company issued 32,600,001 common shares for 100% of the issued and outstanding shares of Heatherdale Holdings (Canada) Ltd. ("Heatherdale Holdings"). As well, the Company as part of the QT, consolidated its share capital on the basis of 2.5 old shares for 1 new share.

From the date of incorporation to the transaction date, the Company performed no significant business activities as its sole purpose was the identification and evaluation of assets or businesses with the view to completing a QT. On the date of the completion of the QT the fair value of the net assets of the Company was \$105,311 and comprised mainly of cash and cash equivalents.

Legally, the Company is the parent of Heatherdale Holdings; however, as a result of the share exchange, control of the combined companies passed to the former shareholders of Heatherdale Holdings, which for accounting purposes is deemed to be the acquirer. For financial reporting purposes the transaction has been treated as a reverse asset acquisition and therefore these condensed consolidated interim financial statements have been prepared as a continuation of Heatherdale Holdings. The following accounting principles have been employed:

- a. the assets and liabilities of Heatherdale Holdings were recognized and measured at their pre-combination carrying amounts;
- b. the deficit and other equity balances are the retained deficit and other equity balances of Heatherdale Holdings immediately prior to the share exchange transaction;

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- c. the amount recognized as issued equity instruments is determined by adding the fair value attributable to the net assets of the Company (accounting acquiree) to the issued equity of Heatherdale Holdings (accounting acquirer) immediately prior to the share exchange transaction. However, the equity structure appearing in these condensed consolidated interim financial statements (the number and type of equity instruments issued) reflect the equity structure of the Company, including the equity instruments issued by the Company to effect the combination; and
- d. comparative information presented in these condensed consolidated interim financial statements is that of Heatherdale Holdings.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of Compliance and Transition to International Financial Reporting Standards ("IFRS")*

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and its interpretations. Accordingly, these condensed consolidated interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year end reporting purposes. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of Heatherdale Holdings as at and for the year ended October 31, 2009 (filed on SEDAR under Heatherdale Resources Ltd.). Results for the period ended January 31, 2010, are not necessarily indicative of future results. These condensed consolidated interim financial statements have been prepared on the basis of IFRS standards that are effective or available for early adoption on January 31, 2010.

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian Securities regulatory authorities. With the completion of the QT a reverse acquisition occurred (note 2) resulting in the Company's accounting becoming a continuation of Heatherdale Holdings's accounting with Heatherdale Holdings treated as the acquirer of the Company. Heatherdale Holdings has historically prepared its financial statements in accordance with IFRS since inception. Consequently the Company is presenting financial statements in accordance with IFRS. The Company received exemption from the applicable Canadian Securities Administrators under National Instrument 52-107, Acceptable Accounting Principles, Auditing Standards and Reporting Currency ("NI 52-107") to prepare and present financial statements in accordance with IFRS on February 16, 2010.

(b) *Basis of Preparation*

These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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Notes to Condensed Consolidated Interim Financial Statements

For the three months ended January 31, 2010 and 2009

(Unaudited - Expressed in United States dollars, unless stated otherwise)

(c) *Basis of Consolidation*

These condensed consolidated interim financial statements include the accounts of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. These condensed consolidated interim financial statements are prepared using the principles of a reverse asset acquisition as described in Note 2.

Intra-company balances and transactions, including any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the condensed consolidated interim financial statements.

(d) *Foreign Currencies*

The functional and presentation currency of the Company and its subsidiaries is the United States dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(e) *Financial Instruments*

Non derivative financial assets

All financial assets are recognized or derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Financial assets held are a balance receivable from a related party, trade and other receivables, and cash and cash equivalents. Financial assets are classified into the following specified categories: loans and receivables and financial assets through profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

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Held for trading financial instruments

Cash and cash equivalents are classified as held for trading financial instruments.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: trade and other payables and a balance payable to a related party.

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are amortized at cost using the effective interest method.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The Company has not recorded any impairment charges in the period presented.

Derivative financial instruments

The Company does not have any derivative financial instruments.

(f) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or an asset acquisition. Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the

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acquisition of exploration and evaluation assets through a business combination or an asset acquisition. Costs incurred before the Group has obtained the legal rights to explore an area are recognized in profit or loss.

Acquisition costs, including general and administrative costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(g) Property, Plant and Equipment

Property, plant and equipment ("PPE") are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the declining balance method at various rates ranging from 20% - 30% per annum.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Residual values and estimated useful lives are reviewed at least annually.

(h) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and short term deposits held at major financial institutions with an original maturity of three months or less, which are readily convertible into a known amount of cash.

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Notes to Condensed Consolidated Interim Financial Statements

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(Unaudited - Expressed in United States dollars, unless stated otherwise)

(i) *Impairment of Non Financial Assets*

At the end of each reporting period the carrying amounts of the Group's non financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. A cash-generating unit is determined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

The Company has not recorded any impairment charges in the periods presented.

(j) *Share Capital*

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(k) *Income Taxes*

Any income tax on profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss in the statements of comprehensive income or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting or taxable profit. The amount of

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Notes to Condensed Consolidated Interim Financial Statements

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deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(l) Restoration, Rehabilitation and Environmental Costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. The cost of any rehabilitation program is recognized at the time that the environmental disturbance occurs. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset along with a corresponding liability, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect risks specific to the asset are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is adjusted each period for the unwinding of the discount rate, changes to the current market-based discount rate, and for the amount or timing of the underlying cash flows needed to settle the obligation.

The Group has no material restoration, rehabilitation and environmental costs. The Group however, has an environmental bond in place which was funded by the previous operator of the Niblack Project.

(m) Interest Revenue

Interest revenue comprises interest income on funds invested and interest earned on a loan to a related party.

(n) Loss per Share

The Group presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Group by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(o) Segment Reporting

The Group operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties.

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Notes to Condensed Consolidated Interim Financial Statements

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(Unaudited - Expressed in United States dollars, unless stated otherwise)

(p) *Significant Accounting Judgments and Estimates*

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i. the recoverability of amounts receivable which are included in the consolidated statements of financial position;
- ii. the estimated useful lives of property, plant and equipment which are included in the consolidated statement of financial position and the related depreciation included in the consolidated statement of comprehensive loss for the period ended January 31, 2010;
- iii. the carrying value of the net assets including mineral property interests of Niblack Project LLC and the recoverability of the carrying value of the investment in the net assets of Niblack Project LLC included in the consolidated statements of financial position;
- iv. the nil provision for income taxes which is included in the consolidated statements of comprehensive loss; and
- v. the determination of inputs such as volatility given the short trading history for the Company for calculating share-based compensation included in the loss.

The operations of the Group may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Group and are not predictable.

(q) *Share-based Payment Transactions*

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as an employee or consultant expense with a corresponding increase in the *equity settled share-based payments reserve* in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the share options vest. The fair value of the share options

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granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

(r) *New Accounting Standards, Interpretations and Amendments to existing standards that are not yet effective.*

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after January 1, 2010 or later periods.

- IFRS 9, Financial Instruments – Classification and Measurement, effective January 1, 2013
- Amendments to IAS 24, Related Party Disclosures, effective January 1, 2011

At the financial position reporting date, the following accounting interpretation was in issue but not yet effective:

- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

This interpretation is not expected to have any impact on the financial results of the Group.

The Group anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the condensed consolidated interim financial statements of the Group except for additional disclosures.

4. NIBLACK PROJECT

On June 30, 2009, the Group and CBR Gold Corp. ("CBR Gold") entered into a limited liability company agreement ("the Agreement") pursuant to which the Group and CBR Gold became members of Niblack Project LLC. The Group retained a controlling interest in Niblack Project LLC (51%) with CBR Gold holding the remaining 49% interest.

Pursuant to the Agreement, CBR Gold transferred its mineral claims in the Niblack Project into Niblack Project LLC, the Group is required to fund exploration and development expenditures on the Niblack Project totaling in aggregate at least \$15,000,000 within three years (the "Initial Contribution") to retain its 51% interest in Niblack Project LLC. For the period June 30, 2009 to January 31, 2010, the Group had funded \$4.7 million in exploration expenditures towards the Initial Contribution.

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Upon completion of the Initial Contribution, the Group has additional earn-in options to increase its interest in the Niblack Project to 60% by funding a further \$10,000,000 in expenditures and to 70% by funding the completion of a bankable feasibility study within an additional three year period. This latter period may be extended to complete technical works programs for the bankable feasibility study, if necessary, up to a maximum of six years. The Group is required to spend a minimum of \$5,000,000 per annum from the effective date on exercise of each option.

The Group is the manager and operator of the Niblack Project.

In accordance with IAS 27, Consolidated and Separate Financial Statements, the Group has determined that it controls the Niblack Project LLC and as such consolidates the net assets of Niblack Project LLC. Under the terms of the Agreement, the distribution of the losses funded by the Group is fully attributable to the Group until the Initial Contribution is reached. Consequently, none of the losses incurred on the Niblack Project have been allocated to the non-controlling interest as the non-controlling interest has currently no economic interest in such expenditures under the Agreement.

The net assets of Niblack Project LLC include the mineral property interest (the Niblack Project claims) amounting to \$14,411,765 contributed by CBR Gold. A non-controlling interest for the same amount has been recognized on consolidation representing CBR Gold's economic interest until the Group completes the Initial Contribution as per the Agreement. This amount equalled the fair value of the interest as established under the Agreement.

5. PROPERTY, PLANT AND EQUIPMENT

	Mineral Property (note 4)	Motor Vehicles	Total
Cost			
Balance at November 1, 2009	\$ 14,411,765	\$ 30,412	\$ 14,442,177
Additions	-	14,900	14,900
Balance at January 31, 2010	\$ 14,411,765	\$ 45,312	\$ 14,457,077
Accumulated Depreciation			
Balance at November 1, 2009	\$ -	\$ 1,521	\$ 1,521
Charge for the period	-	3,284	3,284
Balance at January 31, 2010	\$ -	\$ 4,805	\$ 4,805
Net Carrying Value			
Balance at November 1, 2009	\$ 14,411,765	\$ 28,891	\$ 14,440,656
Balance at January 31, 2010	\$ 14,411,765	\$ 40,507	\$ 14,452,272

There were no property, plant and equipment as at January 31, 2009.

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For the three months ended January 31, 2010 and 2009

(Unaudited - Expressed in United States dollars, unless stated otherwise)

6. CAPITAL AND RESERVES

(a) Authorized Share Capital

As described in Note 2, the equity structure of the Group represents the equity structure of the legal parent, Heatherdale Resources Ltd.

At January 31, 2010, the authorized share capital consisted of an unlimited (2009 – unlimited) number of common shares without par value and an unlimited number (2009 – unlimited) of preferred shares with no par value.

(b) Reconciliation of Changes in Share Capital

Common Shares:	Number of Common Shares
Balance at November 1, 2009	2,050,000
Balance after consolidation of 2.5 old shares for 1 new share (note 2)	820,000
Shares issued for 100% acquisition of Heatherdale Holdings (note 2)	32,600,001
Shares issued for cash per private placement (d)	14,358,500
Shares issued on exercise of share options	53,960
Balance as at January 31, 2010	47,832,461

The retroactively adjusted number of common shares of the Company for January 31, 2009 was 33,420,001 (note 2).

(c) Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended January 31, 2010 was based on the loss attributable to common shareholders of \$3,560,758 (2009 – \$16,451) and the weighted average number of shares outstanding of 35,770,229 (2009 – 33,420,001).

(d) Private Placement

The Company issued 14,358,500 common shares at Cdn\$1.00 per common share on completion of a brokered and non-brokered private placement financing concurrent with the QT (note 2) for gross proceeds of \$13,740,191 (Cdn\$14,358,500). After share issue costs of \$716,717 (Cdn\$748,770) the Group raised net proceeds of \$13,023,474 (Cdn\$13,609,730).

In connection with the private placement, the Company issued the agents compensation options to purchase 162,000 common shares at Cdn\$1.00 per share until May 17, 2011. The fair value of these options, determined using the Black-Scholes option model, was \$0.42 per option.

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(e) Share Option Plan

The Company has a share option plan approved by the Company's shareholders that allows it to grant share options, subject to regulatory terms and approval, to its officers, directors, employees, and service providers. The share option plan (the "2009 Rolling Option Plan") is based on the maximum number of eligible shares equalling a rolling percentage of 10% of the Company's outstanding common shares, calculated from time to time. Pursuant to the 2009 Rolling Option Plan, if outstanding share options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share options available to grant under the plan increase proportionately. The exercise price of each share option is set by the Board of Directors at the time of grant but cannot be less than the market price (less permissible discounts). Share options can have a maximum term of ten years and typically terminate 90 days following the termination of the optionee's employment or engagement, except in the case of retirement or death. Vesting of share options is at the discretion of the Board of Directors at the time the options are granted.

The Company granted new options under the share option plan during the quarter together with the reissue of existing options that were outstanding as noted in the table below:

Expiry date	Exercise price	Number granted	Exercised	Cancelled	As at January 31, 2010	Exercisable
May 2, 2010 ⁽¹⁾	Cdn\$0.50	40,000	(35,960)	-	4,040	4,040
November 17, 2010 ⁽²⁾	Cdn\$0.50	82,000	(18,000)	-	64,000	64,000
May 17, 2011	Cdn\$1.00	162,000	-	-	162,000	-
November 17, 2012	Cdn\$1.00	2,217,000	-	(75,000)	2,142,000	-
December 1, 2012	Cdn\$1.12	56,000	-	-	56,000	-
November 17, 2014	Cdn\$1.00	1,530,000	-	-	1,530,000	-
		4,087,000	(53,960)	(75,000)	3,958,040	68,040
Weighted average exercise price		Cdn\$0.99			Cdn\$0.99	Cdn\$0.50
Weighted average remaining contractual life (years)		3.7			3.5	
Weighted average share price on exercise			Cdn\$1.30			

The weighted average fair value of the new share options granted (other than discussed in (1) and (2) below) is \$0.62 per option. Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

Risk-free interest rate	2.11%
Expected volatility	96%
Expected life	3.82 years
Expected dividend yield	Nil

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

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

(1) These were agent options that were reissued under the share option plan. As they related to the Company before the reverse asset acquisition they had a nominal fair value. With the completion of the QT, the Company determined that a modification of the original options which had vested had occurred and recognized the additional benefit cost in the loss for the period. The fair value of the options was calculated at \$0.50 per option.

(2) These were options belonging to the former directors and officers that were reissued under the share option plan. As they related to the Company before the reverse asset acquisition they were determined to have a nominal fair value. With the completion of the QT, the Company determined that a modification of the original options which had vested had occurred and recognized the additional benefit cost in the loss for the period. The fair value of the options was calculated at \$0.56 per option.

7. TRADE AND OTHER RECEIVABLES

	As at January 31 2010	As at October 31 2009
Falling due within the year		
Trade receivables	\$ 171,651	\$ 106,164
Prepayments	94,152	4,751
	<u>\$ 265,803</u>	<u>\$ 110,915</u>

8. CASH AND CASH EQUIVALENTS

	As at January 31 2010	As at October 31 2009
Bank demand deposits	<u>\$ 13,919,754</u>	<u>\$ 3,985,045</u>

Cash and cash equivalents comprise cash and short term deposits held at major financial institutions with an original maturity of three months or less, which are readily convertible into a known amount of cash.

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9. TRADE AND OTHER PAYABLES

	As at January 31 2010	As at October 31 2009
Falling due within one year:		
Trade payables	\$ 655,695	\$ 729,878

10. FINANCIAL RISK MANAGEMENT

(a) Overview

The Group has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

This note presents information about the Group's exposure to each of these risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

(b) Credit Risk

Credit risk is the risk of potential loss to the Group if the counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents, trade and other receivables, and a balance receivable from a related party. The Group limits its exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high credit quality financial institutions and are currently invested in business and savings accounts.

The carrying value of the Group's cash and cash equivalents, trade and other receivables, and the balance due from a related party represent the maximum exposure to credit risk.

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(Unaudited - Expressed in United States dollars, unless stated otherwise)

Financial Assets	Carrying Amount	
	As at January 31	As at October 31
	2010	2009
Balance receivable from a related party (note 11)	\$ 3,407	\$ 8,791
Trade and other receivables (note 7)	171,651	106,164
Cash and cash equivalents (note 8)	13,919,754	3,985,045
	<u>\$ 14,094,812</u>	<u>\$ 4,100,000</u>

(i) Impairment losses

At January 31, 2010 the Group did not have any collective impairment on its loans and receivables (2009 - \$ nil).

(ii) Cash and cash equivalents

The Group limits its exposure to credit risk by only investing with high-credit quality financial institutions. The investments are currently in business and saving accounts.

(c) *Liquidity Risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Group's holdings of cash and cash equivalents. The Group's cash and cash equivalents are currently invested in business accounts with high-credit quality financial institutions which are available on demand by the Group for its programs.

The following are the contractual maturities of financial liabilities:

Accounts payable and accrued liabilities	Carrying Amount	Contractual Cash Flow	Due in less than six months
As at January 31, 2010	\$ 655,695	\$ 655,695	\$ 655,695
As at October 31, 2009	\$ 729,878	\$ 729,878	\$ 729,878

(d) *Market Risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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(i) Interest Rate Risk

The Group is subject to interest rate risk with respect to its investments in cash and cash equivalents. The Group's policy is to invest cash at fixed rates of interest and cash reserves are to be maintained in cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when the cash and cash equivalents mature impact interest income earned.

The carrying values of the Group's investments in cash and cash equivalents approximate their fair values, given the short term nature of these investments.

(ii) Currency Risk

In the normal course of business, the Group enters into transactions for the purchase of supplies and services denominated in a currency other than the functional currency of the Company. As a result, the Group is subject to foreign exchange risk from fluctuations in foreign exchange rates. The Group has not entered into any derivative or other financial instruments to mitigate this foreign exchange risk.

The exposure of the Group's cash and cash equivalents, trade and other receivables, and trade and other payables to foreign exchange risk is as follows:

	As at January 31 2010	As at October 31 2009
Currency		
Canadian dollars – Financial assets		
Cash and cash equivalents	\$ 9,186,592	\$ 3,058,870
Trade and other receivables	171,651	106,164
Total financial assets	\$ 9,358,243	\$ 3,165,034
Canadian dollars – Trade and other payables	\$ 73,620	\$ 322,436
Total financial liabilities	\$ 73,620	\$ 322,436

A ten percent change of the Canadian dollar against the US dollar at January 31, 2010 would have increased or decreased net loss by \$852,000 (2009 – \$258,000). This analysis assumes that all other variables, in particular interest rates, remain constant.

(e) Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Group consists of equity, comprising share capital, net of accumulated deficit. The Company manages its capital structure through the preparation of operating budgets, which are approved by the Board of Directors.

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

The Group is not subject to any externally imposed capital requirements.

11. RELATED PARTIES

(a) Transactions with key management personnel

	For the three months ended January 31	
	2010	2009
Salaries and directors' fees	\$ 7,136	\$ 6,874
Share-based compensation	\$ 538,200	\$ -

At January 31, 2010, directors of the Group controlled 12 percent of the voting shares (2009 - 30%).

A number of key management personnel, or their related parties, hold positions in other entities, with which the Group transacts, that result in them having control or significant influence over the financial or operating policies of those entities. The terms and conditions of the transactions with key management personnel and those entities were no more favourable than those available, or which might reasonably be expected to be available, for similar transactions to arm's length parties.

(b) Transactions with other related parties

The company undertook the following transactions with related parties:

	For the three months ended January 31	
	2010	2009
Services rendered:		
Hunter Dickinson Services Inc.	\$ 471,028	\$ 841,191
Reimbursement of third party expenses paid:		
Hunter Dickinson Services Inc.	\$ 80,372	\$ 71,285
	As at January 31	As at October 31
Related party balances (payable) receivable	2010	2009
Hunter Dickinson Services Inc. - trade payables	\$ (178,514)	\$ (252,451)
Hunter Dickinson Services Inc. - receivable	\$ 3,407	\$ 8,791

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- (i) Hunter Dickinson Services Inc. ("HDSI") is a private company which has certain directors in common with the Group. HDSI provides geological, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Group on a full cost recovery basis pursuant to an agreement dated June 1, 2008.

12. SUBSIDIARIES

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Heatherdale Holdings (Canada) Ltd.	British Columbia, Canada	100%	Holds interest in Niblack Holdings (US) Inc.
Niblack Holdings (US) Inc.	Nevada, USA	100%	Holds interest in Niblack Project LLC
Niblack Project LLC	Delaware, USA	51%	Exploration of Niblack Project

13. TAXATION

(a) Provision for current tax

No provision has been made for current income taxes, as the Group has no taxable income.

(b) Provision for deferred tax

As future taxable profits of the Group are uncertain, no deferred tax asset has been recognized. As at January 31, 2010, the Group had unused non-capital loss carry forwards of \$1,972,000 (2009 - \$1,097,000) in Canada and \$721,000 (2009 - \$255,000) in the United States. In addition, the Group has approximately \$3,939,000 (2009 - \$2,272,000) of resource tax pools available, which may be used to shelter certain resource income in the United States.

14. SUBSEQUENT EVENTS

In February 2010, the Company issued 36,000 shares pursuant to the exercise of options at \$0.50 per common share.