

TAGISH LAKE GOLD CORP.

**Financial Statements
October 31, 2009 and 2008**

<u>Index</u>	<u>Page</u>
Management's Responsibility for Financial Reporting	1
Auditors' Report to the Shareholders	2
Financial Statements	
Balance Sheets	3
Statements of Operations	4
Statements of Shareholders' Equity (Deficiency)	5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 24

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of Tagish Lake Gold Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

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

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

The financial statements as at October 31, 2009 and 2008 and for the years then ended have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the financial statements.

"Graham Dickson"

Graham Dickson
Chief Executive Officer

"Denis Lampron"

Denis Lampron
Chief Financial Officer

February 25, 2010

AUDITORS' REPORT

TO THE SHAREHOLDERS OF TAGISH LAKE GOLD CORP.

We have audited the balance sheets of Tagish Lake Gold Corp. as at October 31, 2009 and 2008 and the statements of operations, shareholders' equity (deficiency) 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 October 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
February 25, 2010

TAGISH LAKE GOLD CORP.**Balance Sheets****October 31**

	2009	2008
Assets (note 10)		
Current		
Cash	\$ 9,716	\$ 63,352
GST receivable	12,073	32,985
Prepaid expenses and deposits	13,968	37,284
Reclamation bond	15,000	15,000
	50,757	148,621
Property and Equipment (note 7)	181,060	238,585
Resource Properties (note 8)	1,500,000	29,973,350
	\$ 1,731,817	\$ 30,360,556
Liabilities		
Current		
Bank loan (note 10)	\$ 1,500,000	\$ 1,500,000
Accounts payable and accrued liabilities (notes 15 and 17)	4,284,882	3,927,928
Advances from related party (note 11(b))	60,000	60,000
Loan from Yukon-Shaanxi Mining Company Inc. (notes 11(a) and 17)	1,001,423	200,000
	6,846,305	5,687,928
Advances from Related Party (note 11(b))	55,000	0
Future Income Taxes (note 12)	0	1,416,303
	6,901,305	7,104,231
Shareholders' Equity (Deficiency)		
Capital Stock (note 13)	47,711,705	47,711,705
Shares Held in Treasury (note 6)	(120,000)	(120,000)
Contributed Surplus	1,213,668	1,203,935
Deficit	(53,974,861)	(25,539,315)
	(5,169,488)	23,256,325
	\$ 1,731,817	\$ 30,360,556

Going concern (note 2)

Commitments (note 16)

Subsequent event (note 18)

Approved by the Board:

"Graham Dickson" Director

Graham Dickson

"Robert Chafee" Director

Robert Chafee

TAGISH LAKE GOLD CORP.
Statements of Operations
Years Ended October 31

	2009	2008
Expenses		
Management fees (note 15)	\$ 228,233	\$ 178,855
Wages and benefits	191,945	243,985
Interest	169,190	155,510
Professional fees	146,717	109,532
Office and miscellaneous	87,793	166,643
Directors' fees (note 15)	36,000	36,000
Rent	23,912	23,737
Travel	16,124	22,535
Regulatory and filing fees	12,261	31,038
Shareholder and investor relations	11,346	114,825
Telecommunications	10,658	11,482
Consulting fees	9,753	28,109
Transfer agent fees	7,241	16,364
Advertising and promotion	581	40,055
Amortization	39,023	44,342
Loss Before Other Items and Future Income Tax Recovery	990,777	1,223,012
Other Items		
Impairment of resource properties (note 8)	28,853,570	134,217
Loss on disposal of property and equipment	7,502	0
	28,861,072	134,217
Loss Before Future Income Tax Recovery	29,851,849	1,357,229
Future Income Tax Recovery	(1,416,303)	(845,966)
Net Loss and Comprehensive Loss for Year	\$ 28,435,546	\$ 511,263
Loss per Share, basic and diluted	\$ 0.219	\$ 0.004
Weighted Average Number of Common Shares Outstanding	129,817,161	125,913,001

TAGISH LAKE GOLD CORP.
Statements of Shareholders' Equity (Deficiency)
Years Ended October 31

	Number of Shares	Capital Stock	Shares Held in Treasury	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
Balance, October 31, 2007	118,298,313	\$ 46,891,894	\$ 0	\$ 1,156,556	\$ (25,028,052)	\$ 23,020,398
Net loss for the year	0	0	0	0	(511,263)	(511,263)
Issued for cash						
Private placements, net of issue costs (note 13(b))	11,518,811	1,083,213	0	0	0	1,083,213
Fair value of agent warrants (note 13(b))	0	0	0	4,349	0	4,349
Stock-based compensation (note 13(d))	0	0	0	43,030	0	43,030
Income tax effect of flow-through share renouncement (note 12)	0	(263,402)	0	0	0	(263,402)
Settlement of accounts receivable (note 6)	0	0	(120,000)	0	0	(120,000)
Balance, October 31, 2008	129,817,124	47,711,705	(120,000)	1,203,935	(25,539,315)	23,256,325
Net loss for year	0	0	0	0	(28,435,546)	(28,435,546)
Stock-based compensation (note 13(d))	0	0	0	9,733	0	9,733
Shares adjustment	80	0	0	0	0	0
Balance, October 31, 2009	129,817,204	\$ 47,711,705	\$ (120,000)	\$ 1,213,668	\$ (53,974,861)	\$ (5,169,488)

TAGISH LAKE GOLD CORP.
Statements of Cash Flows
Years Ended October 31

	2009	2008
Operating Activities		
Net loss	\$ (28,435,546)	\$ (511,263)
Items not affecting cash		
Amortization	39,023	44,342
Loss on disposal of asset	7,502	0
Stock-based compensation	9,733	43,030
Accrued interest on loan	53,806	0
Impairment of resource properties	28,853,570	134,217
Future income tax recovery	(1,416,303)	(845,966)
	(888,215)	(1,135,640)
Changes in non-cash working capital items		
GST receivable	20,912	147,850
Prepaid expenses and deposits	23,316	7,609
Accounts payable and accrued liabilities	197,167	377,785
	241,395	533,244
Net Cash Used in Operating Activities	(646,820)	(602,396)
Investing Activities		
Resource property expenditures	(220,433)	(1,189,074)
Purchase of property and equipment	0	(40,007)
Proceeds from sale of property and equipment	11,000	0
Net Cash Used in Investing Activities	(209,433)	(1,229,081)
Financing Activities		
Issuance of capital stock	0	1,127,230
Proceeds from Yukon-Shaanxi Mining Company Inc	747,617	0
Proceeds from government grant	0	124,155
Proceeds from related parties	55,000	200,000
Net Cash Provided by Financing Activities	802,617	1,451,385
Decrease in Cash	(53,636)	(380,092)
Cash, Beginning of Year	63,352	443,444
Cash, End of Year	\$ 9,716	\$ 63,352

Supplemental cash flow information (note 14)

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

1. NATURE OF OPERATIONS

Tagish Lake Gold Corp. (the "Company") was incorporated on November 30, 2000 under the laws of British Columbia and its principal business activity is the exploration and development of natural resource properties.

2. GOING CONCERN

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. Several adverse conditions as set out below cast significant doubt on the validity of this assumption.

At October 31, 2009, the Company has no source of operating cash flow, an accumulated deficit of \$53,974,861 (2008 - \$25,539,315), and a working capital deficiency of \$6,795,548 (2008 - \$5,539,307). The Company's assets are pledged as collateral for the bank loan that is in default (note 10).

The ongoing future of the Company is contingent upon continued forbearance of its creditors, ongoing financial support from Yukon-Shaanxi Mining Company Inc. ("YSM") or another party, or additional equity financing. There can be no assurance that the Company will receive continued financial support from YSM or can there be assurance the forbearance of its creditors will continue (note 17). The financial support from YSM is not in the normal course of business for the Company or the industry. The current financial equity market conditions, the challenging funding environment and the low price of the Company's common shares make it difficult to raise funds by issuance of common shares. There is no assurance that the Company will be successful with any financing ventures.

If the Company is unsuccessful in generating resources from one or more of the anticipated sources and is unable to replace any shortfall with resources from another source, it will not be able to meet its obligations and its operations will be materially, adversely affected.

The financial statements do not include any adjustments to the recoverability and classification of recorded assets or the amounts and classifications of liabilities that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

These audited financial statements have been prepared by the Company in accordance with the Canadian GAAP.

(a) Resource properties

All costs related to the acquisition of, exploration for and development of resource properties, net of recoveries, are capitalized on a property-by-property basis. If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and will be amortized using the unit-of-production method. When a property is abandoned, all related costs are written-off to operations. If after management review it is determined that the carrying amount of a resource property is impaired, that property is written down to its estimated fair value. A resource property interest is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Resource properties (Continued)

The amounts shown for resource properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production or proceeds from the disposition thereof.

From time to time the Company may acquire or dispose of a resource property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. When the amount of recoveries exceeds the total amount of capitalized costs of the property, the amount in excess of costs is recorded in operations.

(b) Government assistance

The Company records government assistance relating to resource properties when it is more likely than not to be received. Government grants are recorded using the cost reduction method and are included as a reduction of resource property interests.

(c) Property and equipment

Amortization of property and equipment is recorded on a declining-balance basis at the following annual rates (additions during the year are amortized at one-half the annual rates):

Building	-	5%
Process and plant equipment	-	20% to 25%
Automotive equipment	-	30%
Office and computer equipment	-	30%

(d) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 include the determination of environmental obligations, asset retirement obligations ("ARO"), the fair values of financial instruments, rates of amortization for property and equipment, recoverability of resource properties interests, valuation allowance for future income tax assets and the variables used in the calculation of stock-based compensation. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(f) Stock-based compensation

The Company accounts for stock-based compensation using the fair value based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the option is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed, the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options for non-employees is accrued and charged either to operations or resource properties, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

(g) Flow-through common shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. The effect of such renouncement is to reduce future income tax deductions, which is considered to be a share issue cost that is recorded as a reduction to capital stock and a corresponding increase in future income tax liability.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of income taxes in the statement of operations.

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward (temporary differences). Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

(i) Asset retirement obligations

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material AROs to record in these financial statements.

(j) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

(k) Comprehensive income (loss).

Comprehensive income (loss) is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income (loss) and other comprehensive income (loss). Other comprehensive income includes gains or losses, which GAAP require to be recognized in a period but are excluded from net income for that period. The Company has no items of comprehensive income (loss) in any period presented, accordingly, net loss equals comprehensive loss.

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(m) Changes in accounting policies

The following Canadian Institute of Chartered Accountants (“CICA”) guidelines are adopted by the Company effective November 1, 2008:

(i) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets”, replacing Section 3062, “Goodwill and Other Intangible Assets”, and Section 3450, “Research and Development Costs”. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This new section is effective for the Company on November 1, 2008. Adoption of this section has no impact on the Company’s financial statements.

(ii) Going concern

Handbook Section 1400, “General Standards of Financial Statement Presentation”, requires management to assess an entity’s ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity’s ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. Adoption of the standard had no impact on the Company’s financial statements.

(n) Future changes in accounting policies

(i) International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The effective date for the Company is for interim and annual financial statements commencing November 1, 2011. The transition will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011. While the Company has begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Future changes in accounting policies (Continued)

(ii) Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", which replaces Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements". Section 1582 is applicable for the Company's business combinations with acquisition dates on or after November 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Sections 1601 and 1602 are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning November 1, 2011. Early adoption of these sections is permitted.

4. COMPARATIVE FIGURES

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

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial instruments held by the Company include cash, reclamation bond, bank loan, accounts payable and accrued liabilities, advances from related party, and loan from YSM. The Company classifies cash as held-for-trading; reclamation bond as held-to-maturity; and bank loan, accounts payable and accrued liabilities, advances from related party and loan from YSM as other financial liabilities.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Fair value

The carrying values of cash, reclamation bond, bank loan, accounts payable and accrued liabilities, current portion of advances from related party, and loan from YSM approximate their fair values because of the short-term maturity of these financial statements. The fair value of the long-term portion of the advances from related party has not been disclosed as the fair values cannot be reliably measured since the parties are not at arm's length.

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk

The Company manages credit risk, in respect of cash and the reclamation bond, by placing cash with well-capitalized high-quality financial institutions.

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

	2009	2008
Cash	\$ 9,716	\$ 63,352
Term deposit (reclamation bond) with interest 0.5% (2008 - 2.5%), maturing on March 17, 2010	15,000	15,000
	\$ 24,716	\$ 78,352

The credit risk associated with cash and the reclamation bond is minimized substantially by ensuring that these financial assets are placed with major financial institutions with strong investment-grade ratings by a primary ratings agency.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due.

At October 31, 2009, the Company has cash of \$9,716, a working capital deficiency of \$6,795,548 and is essentially insolvent unless future financing initiatives are successful. While the Company has been successful in raising debt and equity funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future.

As at October 31, 2009, the Company had accounts payable and accrued liabilities of \$4,284,882 (2008 - \$3,927,928), bank loan of \$1,500,000 (2008 - \$1,500,000) are due immediately, advances from YSM of \$1,001,423 (2008 - \$200,000) due within the next 30 days. The Company has advances from related party of \$60,000 (2008 - \$60,000) due within the next 30 days, and \$55,000 (2008 - \$nil) due within 2 years and \$55,000 (2008 - \$nil) due within 10 years..

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The only market risk to which the Company is exposed is interest rate risk.

The Company's reclamation bond consists of a term deposit that earns interest at 0.5% and matures March 17, 2010. Due to the short-term nature of this financial instrument, fluctuations in market interest rates do not have a significant impact on the estimated fair value of this financial instrument as of October 31, 2009. Absent early redemption of the term deposit, future cash flows will not change as a result of market interest rates.

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(d) Market risk (Continued)

Advances from related party have a fixed interest rate and they are exposed to interest rate price risk.

The Company's bank loan bears interest at LIBOR (London Interbank Offered Rate) plus 2.5% and the loan from YSM bears interest at prime plus 5%. As these financial instruments bear interest at variable rates, market interest rate fluctuations will impact their fair values and future cash flows.

A 1% change in interest rate would impact the Company's net loss by \$15,000.

The Company does not employ derivatives or other techniques to manage this risk.

6. SHARES HELD IN TREASURY

In 2008, a shareholder/director returned 1,057,969 common shares to the Company in full settlement of balance receivable. These shares are being held by the Company's legal counsel and are stated at cost.

7. PROPERTY AND EQUIPMENT

		2009		
		Cost	Accumulated Amortization	Net
Building	\$	118,950	\$ 14,557	\$ 104,393
Process and plant equipment		322,618	287,385	35,234
Automotive equipment		141,768	112,809	28,959
Office and computer equipment		54,837	42,362	12,474
	\$	638,173	\$ 457,113	\$ 181,060
		2008		
		Cost	Accumulated Amortization	Net
Building	\$	118,950	\$ 9,063	\$ 109,887
Process and plant equipment		322,618	278,576	44,042
Automotive equipment		172,863	105,063	67,800
Office and computer equipment		54,837	37,981	16,856
	\$	669,268	\$ 430,683	\$ 238,585

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

8. RESOURCE PROPERTIES

The investment in and expenditures on the properties are summarized as follows:

	Balance, October 31, 2007	Inurred during year	Balance, October 31, 2008	Inurred during year	Balance, October 31, 2009
Skukum Creek					
Acquisition costs	\$ 265,573	\$ 0	\$ 265,573	\$ 0	\$ 265,573
Geological and geophysical	2,915,121	370,131	3,285,252	91,073	3,376,325
Underground work	9,189,967	1,216,729	10,406,696	67,258	10,473,954
Drilling	885,883	265,299	1,151,182	0	1,151,182
Site supervision	599,448	148,200	747,648	95,999	843,647
Camp	824,358	261,709	1,086,067	28,189	1,114,256
Road work	763,851	6,250	770,101	4,049	774,150
Environmental	500,761	75,315	576,076	20,432	596,508
Assaying	296,077	48,152	344,229	0	344,229
Engineering	384,970	301,577	686,547	1,215	687,762
Other	198,858	93,024	291,882	72,005	363,887
	16,824,867	2,786,386	19,611,253	380,220	19,991,473
Impairment	0	0	0	0	(18,491,473)
Total Skukum Creek	16,824,867	2,786,386	19,611,253	380,220	1,500,000
Goddell					
Acquisition costs	395,443	0	395,443	0	395,443
Geological, geophysical and underground work	9,864,957	0	9,864,957	0	9,864,957
Drilling	77,379	0	77,379	0	77,379
Assaying	13,681	0	13,681	0	13,681
	10,351,460	0	10,351,460	0	10,351,460
Impairment	0	0	0	0	(10,351,460)
Total Goddell	10,351,460	0	10,351,460	0	0
Charleston					
Geological and geophysical	10,637	0	10,637	0	10,637
Impairment	0	0	0	0	(10,637)
Total Charleston	10,637	0	10,637	0	0
Arctic Property					
Geological and geophysical	134,217	0	134,217	0	0
Impairment	0	0	(134,217)	0	0
Total Arctic Property	134,217	0	0	0	0
Total Properties	\$ 27,321,181	\$ 2,786,386	\$ 29,973,350	\$ 380,220	\$ 1,500,000

8. RESOURCE PROPERTIES (Continued)

The Skukum Creek, Goddell and Charleston mineral blocks are part of the Skukum Property, which consists of a total of 982 mineral claims in the Whitehorse Mining District, Yukon. During 2009, management considered the carrying value of the property to be impaired and recorded an impairment charge to reduce the carrying amount to \$1,500,000.

The Arctic Property consists of two Crown grants near Carcross, Yukon, which are held for future exploration and development. During 2008, management considered the carrying value of the property to be impaired and recorded an impairment charge to reduce the carrying value to \$nil.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

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

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

Title to resource properties

Although the Company has taken steps to verify the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Realization of assets

The resource properties comprise substantially all of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

9. CAPITAL MANAGEMENT

Management considers the capital of the Company to consist of the items included in shareholders' equity (deficiency) and the loans.

The Company's objectives of capital management are to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis and pursue the exploration and development of its resource properties.

In 2007, the Company obtained a bank loan of \$1,500,000 in order to advance the feasibility study on the Skukum property. The Company must adhere to certain financial and other covenants related to the terms of its credit facility with Macquarie Metals and Energy Capital (Canada) Ltd. ("Macquarie") such as positive cash position to cover the next three months' expenditures, a positive current ratio and completion of the feasibility study. The Company is not subject to any other externally imposed capital requirements. Macquarie Bank gave a Notice of Intention on April 14, 2008 to enforce its security but granted a conditional waiver under which they postponed certain defaults up to November 24, 2008. As at October 31, 2009, the Company was not in compliance with the required financial and other covenants.

During 2009, the Company's funds from financing have not covered expenditures and the working capital deficiency has increased from \$5,539,307 to \$6,795,548. While the Company was successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. The Company's plans present uncertainties about the ultimate ability of the Company to continue operations. The Company is currently managing capital by relying on advances from YSM and is currently considering shares for debt settlement on outstanding debt.

There has been no change from the prior year in the Company's capital management.

10. BANK LOAN

The Company has a bank loan of \$1,500,000 (2008 - \$1,500,000) due to Macquarie with an original due date of June 9, 2009. All of the assets of the Company are pledged as collateral and the loan bears interest at LIBOR plus 2.5%.

In April 2008, Macquarie served the Company a Notice of Intention to enforce its security and a conditional waiver under which Macquarie waived certain events of default to the Credit Agreement to November 24, 2008. To the date of issue of these financial statements, Macquarie has taken no further actions.

As at October 31, 2009, Macquarie did not enforce its security. Subsequent to October 31, 2009, Macquarie assigned all of its interests with respect to the loan to YSM (see note 18).

11. LOAN AND ADVANCES

(a) Loan from YSM

As at October 31, 2009, YSM has advanced \$947,617 to the Company plus accrued interest of \$53,806, which is unsecured, bears interest at prime plus 5% per annum and has no specified terms of repayment (note 18).

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

11. LOAN AND ADVANCES (Continued)

(b) Advances from related parties

During the year ended October 31, 2007, one director advanced the Company \$60,000. The loan is unsecured and non-interest-bearing with no terms of repayment.

During the year ended October 31, 2009, four directors advanced the Company a total of \$55,000 by way of promissory notes. The promissory notes are unsecured, bear interest at 12% per annum payable bi-annually in arrears on June 30 and December 31; \$45,000 matures on December 31, 2018 and \$10,000 on December 31, 2010. Accrued interest of \$4,414 is included in accounts payable and accrued liabilities.

12. INCOME TAXES

Future income tax liability reflects the effects of temporary differences between the carrying amounts for financial reporting purposes and the amounts used for income tax purposes at expected future tax rates. Significant components of the Company's future tax assets and liabilities are as follows:

	2009	2008
Future income tax rate	26%	26%
Future income tax liability		
Book value over tax value of resource properties	\$ 0	\$ (2,856,103)
Future income tax assets		
Tax value over book value of resource properties	4,899,052	0
Non-capital loss carry-forwards	1,458,615	1,271,403
Tax value over book value of property and equipment	124,510	115,719
Tax value of share issue costs	36,481	52,678
	6,518,658	1,439,800
	6,518,658	(1,416,303)
Valuation allowance	(6,518,658)	0
Future income tax asset (liability)	\$ 0	\$ (1,416,303)

The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realized.

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

12. INCOME TAXES (Continued)

The reconciliation of income tax benefit computed at statutory rates to the reported income tax benefit is as follows:

	2009	2008
Income tax benefit at Canadian statutory rates	\$ (9,030,556)	\$ (427,527)
Non-deductible expenses	(269,754)	602
Impairment of resource properties	8,704,160	
Temporary differences on resource properties	(7,501,928)	0
Non-deductible stock-based compensation	2,936	13,554
Share issuance costs	(2,596)	(24,770)
Change in valuation allowance	6,518,658	0
Non-capital losses expired	73,039	94,947
Change resulting from tax rate reduction	89,738	(502,772)
Income tax recovery	\$ (1,416,303)	\$ (845,966)

The non-capital losses that may be carried forward to apply against future years' income for Canadian income tax purposes will expire as follows:

2010	\$ 356,000
2014	393,000
2015	329,000
2026	638,000
2027	1,611,000
2028	1,196,000
2029	1,004,000
	\$ 5,527,000

The Company has capital losses of approximately \$7,000,000 that may be carried forward indefinitely to apply against future years' capital gains. The effect of these capital losses has not been reflected in these financial statements.

13. CAPITAL STOCK

(a) Authorized

Unlimited common shares and 30,000,000 preferred shares without par value

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

13. CAPITAL STOCK (Continued)

- (b) Private placements during the year ended October 31, 2008 consisted of the following:
- (i) In November 2007, the Company issued 2,565,870 units at a price of \$0.17 per unit, for gross proceeds of \$436,198. Each unit consisted of one flow-through common share and one-half of one non-transferable non-flow-through share purchase warrant, each warrant entitling the holder to purchase one common share at a price of \$0.25 per share for a period of 18 months from the closing date. The Company paid an aggregate finders' fee of \$33,027 and issued 50,117 broker warrants fair valued at \$837, using the Black-Scholes option pricing model, as a commission. Each warrant entitles the holder to purchase one common share at a price of \$0.25 for a period of 18 months from the closing date. Additional share issuance and closing costs of \$22,446 were incurred by the Company through the private placement.
 - (ii) In December 2007, the Company issued 2,352,941 units at a price of \$0.17 per unit, for gross proceeds of \$400,000. Each unit consisted of one flow-through common share and one-half of one non-transferable non-flow-through share purchase warrant, each warrant entitling the holder to purchase one common share at a price of \$0.25 per share for period of 18 months from the closing date. The Company issued 188,179 broker warrants fair valued at \$1,637, using the Black-Scholes option pricing model, as a commission. Each warrant entitles the holder to purchase one common share at a price of \$0.25 for a period of 18 months from the closing date. Additional share issuance and closing costs of \$7,554 were incurred by the Company through the private placement.
 - (iii) In May 2008, the Company issued 6,600,000 common shares at a price of \$0.05 per share, for gross proceeds of \$330,000. The Company paid an aggregate finders' fee of \$8,000 and issued 201,600 broker warrants valued at \$1,875, using the Black-Scholes option pricing model, as a commission. Each warrant entitles the holder to purchase one common share at a price of \$0.08 for a period of 24 months from the closing date. Additional share issuance and closing costs of \$7,609 were incurred by the Company through the private placement.
- (c) Share purchase warrants

The following common share purchase warrants were outstanding, entitling the holders the right to purchase one common share for each warrant held as follows:

	2009		2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants exercisable, beginning of year	21,836,278	\$ 0.27	30,979,054	\$ 0.27
Issued	0	\$ 0.00	2,899,301	\$ 0.24
Expired	(21,634,678)	\$ 0.26	(12,042,077)	\$ 0.26
Warrants exercisable, end of year	201,600	\$ 0.08	21,836,278	\$ 0.27

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

13. CAPITAL STOCK (Continued)

- (c) Share purchase warrants (Continued)
The following share purchase warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants	
		2009	2008
January 18, 2009	\$ 0.30	0	100,000
February 27, 2009	\$ 0.25	0	2,777,777
April 24, 2009	\$ 0.25	0	1,609,200
May 22, 2009	\$ 0.25	0	1,333,052
June 7, 2009	\$ 0.25	0	3,200,000
June 19, 2009	\$ 0.25	0	1,364,649
July 4, 2009	\$ 0.30	0	10,000,000
July 18, 2009	\$ 0.30	0	1,250,000
May 14, 2010	\$ 0.08	201,600	201,600
		201,600	21,836,278

The fair value of warrants included in share issuance costs is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2009	2008
Risk-free interest rate	N/A	3.44%
Expected dividend yield	N/A	0.00
Expected stock price volatility	N/A	53.82%
Expected option life in years	N/A	1.73
Fair value on grant date	N/A	0.14

- (d) Share purchase options

The Company has a stock option plan whereby the Company may grant options to directors, officers, employees and consultants of up to 10% of the common shares outstanding at the time of grant. The exercise price of each option is equal to or at an allowable discount to the market price of the Company's common shares at the date of the grant. The option term and vesting period is determined by the board of directors within regulatory guidelines.

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

13. CAPITAL STOCK (Continued)

(d) Share purchase options (Continued)

The following table summarizes information about the share purchase options outstanding and exercisable at October 31, 2009 and 2008:

Expiry Date	2009			2008	
	Exercise Price	Number of Shares	Number of Options Vested	Number of Shares	Number of Options Vested
February 6, 2009	\$ 0.22	0	0	100,000	100,000
March 17, 2009	\$ 0.22	0	0	350,000	350,000
June 25, 2009	\$ 0.21	0	0	100,000	100,000
March 7, 2011	\$ 0.15	250,000	250,000	450,000	450,000
March 7, 2011	\$ 0.17	100,000	100,000	100,000	100,000
December 4, 2011	\$ 0.20	600,000	600,000	800,000	800,000
May 12, 2012	\$ 0.20	400,000	400,000	400,000	400,000
June 25, 2012	\$ 0.20	1,200,000	1,200,000	1,400,000	1,200,000
August 21, 2012	\$ 0.20	200,000	200,000	200,000	200,000
October 1, 2012	\$ 0.20	0	0	200,000	200,000
		2,750,000	2,750,000	4,100,000	3,900,000

The weighted average remaining contractual life of options is 2.28 years (2008 - 2.40 years).

Details of the status of the Company's share purchase options are as follows:

	2009		2008	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	4,100,000	\$ 0.20	5,190,000	\$ 0.20
Expired	(550,000)	\$ 0.22	(590,000)	\$ 0.20
Forfeited	(800,000)	\$ 0.20	(500,000)	\$ 0.20
Outstanding, end of year	2,750,000	\$ 0.20	4,100,000	\$ 0.20

The weighted average exercise price of options exercisable at year-end is \$0.20 (2008 - \$0.20).

The Company determines the fair value of its stock options granted to directors, consultants and employees by using the Black-Scholes option pricing model. During the year, the Company recognized \$9,733 (2008 - \$43,030) in stock-based compensation expense related to options granted in 2007 as part of management fees.

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

14. SUPPLEMENTAL CASH FLOW INFORMATION

	2009	2008
Non-Cash Transactions		
Shares returned in settlement of amounts due from shareholder	\$ 0	\$ 120,000
Accounts payable and accrued liabilities related to share issue costs	\$ 0	\$ 39,667
Accounts payable and accrued liabilities related to resource properties	\$ 3,466,177	\$ 3,306,391
Accounts payable and accrued liabilities related to property and equipment	\$ 0	\$ 10,774
Interest paid	\$ 110,652	\$ 0
Income taxes paid	\$ 0	\$ 0

15. RELATED PARTY TRANSACTIONS

The transactions occurring in the normal course of operations are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Related party transactions consist of the following:

- (a) During the year ended October 31, 2009, the Company:
- (i) incurred management fees of \$218,500 (2008 - \$135,825) to an officer who is a director of the Company;
 - (ii) incurred directors' fees of \$36,000 (2008 - \$36,000); and
 - (iii) incurred resource property exploration expenditures of \$nil (2008 - \$7,500) with a company with a common director.
- (b) Accounts payable and accrued liabilities as at October 31, 2009 include:
- (i) \$265,786 (2008 - \$146,070) payable to a director for management and consulting fees, reimbursable corporate expenditures and interest; and
 - (ii) \$90,000 (2008 - \$54,000) payable to directors for directors' fees.

16. COMMITMENTS

Commitments in each of the next three years are as follows:

	Premises Lease	Office Equipment Lease	Total
2010	\$ 17,522	\$ 2,010	\$ 19,532
2011	17,522	0	17,522
2012	8,761	0	8,761
	\$ 43,805	\$ 2,010	\$ 45,815

TAGISH LAKE GOLD CORP.
Notes to Financial Statements
Years Ended October 31, 2009 and 2008

17. LEGAL PROCEEDINGS

Six vendors have filed claims against the Company to collect payment on outstanding balances owed to them by the Company. One vendor has commenced legal action to enforce payment. These amounts are included in accounts payable and accrued liabilities.

YSM has filed a lien against the mineral property for a portion of the outstanding loan owed to them by the Company.

18. SUBSEQUENT EVENT

On November 17, 2009, MacQuarie has assigned all of its interests with respect to the interest-bearing loan of \$1,500,000 pursuant to the Credit Facility Agreement dated June 7, 2007 to YSM.