



HY LAKE GOLD INC.

(an exploration stage enterprise)

FINANCIAL STATEMENTS (PREPARED BY MANAGEMENT)

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED JUNE 30, 2009 and 2008.

Responsibility for Financial Statements:

The accompanying financial statements for HY LAKE GOLD INC. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these policies have been set out in the September 30, 2008 audited financial statements. These statements are presented on an accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment.

Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly stated.

Disclosure Required Under National Instrument 51-102 Continuous Disclosure Obligations - Part 4.3(3)(a)

The auditor of HY LAKE GOLD INC. has not performed a review of the unaudited comparative financial statements for the three and nine months periods ended June 30, 2009.

INDEX

	<u>Page</u>
Balance Sheet	1
Statements of Loss and Deficit	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 15

HY LAKE GOLD INC.

(an exploration stage enterprise)

BALANCE SHEETS**AS AT**

	June 30, 2009 (Unaudited)	June 30, 2008 (Unaudited)	September 30, 2008 (Audited)
ASSETS			
Current			
Cash and cash equivalents	\$ 16,504	\$ 393,807	\$ 568,881
Accounts receivable	5,872	141,392	152,774
Prepaid expenses and deposits	5,023	18,981	13,785
	27,399	554,180	735,440
Mineral properties and deferred exploration costs (Note 4)	5,388,119	5,181,259	5,298,644
Fixed assets (Note 3)	112,471	142,540	133,815
	\$ 5,527,989	\$ 5,877,979	\$ 6,167,899
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Note 6)	\$ 24,140	\$ 622,975	\$ 351,111
Future income tax liabilities	-	706,349	-
SHAREHOLDERS' EQUITY			
Share capital (Note 7)	14,455,574	14,454,016	14,455,574
Contributed surplus (Note 8)	2,777,556	2,046,630	2,777,556
Deficit	(11,729,281)	(11,951,991)	(11,416,342)
	5,503,849	4,548,655	5,816,788
	\$ 5,527,989	\$ 5,877,979	\$ 6,167,899

Approved on behalf of the board:

Robert Seitz Director

See accompanying notes to the unaudited financial statements

HY LAKE GOLD INC.

(an exploration stage enterprise)

**STATEMENTS OF LOSS AND DEFICIT
FOR THE**

	Three Months June 30,		Nine Months June 30,		Cumulative from the date of commencement of exploration
	2009	2008	2009	2008	
Expenses					
Shareholders' relations	\$ 3,040	\$ 11,695	\$ 12,132	\$ 30,692	\$ 12,132
Depreciation	7,033	144	21,344	11,642	44,233
Consulting fees	24,700	22,860	83,040	125,894	388,495
Interest and bank charges	170	5,793	447	5,792	22,526
Insurance	4,536	8,708	14,007	12,353	37,362
Management fees	30,525	54,762	92,625	84,762	359,387
Office, general and administrative	4,049	21,293	22,819	48,172	233,020
Professional fees	276	4,638	8,816	26,304	92,931
Rent	15,000	15,000	45,000	42,000	130,826
Stock-based compensation	-	-	-	719,047	1,289,229
Regulatory and filing fees	1,400	5,544	9,166	18,888	115,710
Travel and promotion	731	18,416	4,039	28,597	65,522
License, taxes and fees	-	23,372	-	23,372	23,372
Loss before undernoted items	91,460	192,225	313,435	1,177,515	2,814,745
Interest and other income	(264)	(1,696)	(496)	(10,060)	(12,907)
Future income tax (recovery)	-	(68,590)	-	(68,590)	(1,300,235)
Forgiveness of advances from officers, directors and shareholders	-	-	-	-	(50,006)
Loss for the period	\$ 91,196	\$ 121,939	\$ 312,939	\$ 1,098,865	\$ 1,451,597
Deficit, beginning of period	11,637,965	11,830,052	11,416,342	10,853,126	
Deficit, end of period	\$ 11,729,161	\$ 11,951,991	\$ 11,729,281	\$ 11,951,991	
Loss per share					
Basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	
Weighted average number of common shares outstanding					
Basic (Note 7)	24,769,195	21,649,196	24,769,195	21,649,196	

See accompanying notes to the unaudited financial statements

HY LAKE GOLD INC.

(an exploration stage enterprise)

**STATEMENTS OF CASH FLOWS
FOR THE**

	Three Months June 30,		Nine Months June 30,		Cumulative from the date of commencement of exploration
	2009	2008	2009	2008	
Cash flows from operating activities					
Net loss for the period	\$ (91,196)	\$ (121,939)	\$ (312,939)	\$ (1,098,865)	\$ (1,451,597)
Add (deduct) items not affecting cash:					
Depreciation	7,033	144	21,344	11,642	44,233
Stock-based compensation	-	-	-	719,047	1,289,229
Future income tax (recovery)	-	(68,590)	-	532,111	(1,300,235)
Consulting services	-	-	-	-	30,000
	(84,163)	(190,385)	(291,595)	(163,935)	(1,388,370)
Changes in non-cash working capital balances (Note 11)	11,149	368,960	(171,307)	150,924	8,625
Cash flows used in operating activities	(73,014)	178,575	(462,902)	314,859	(1,379,745)
Cash flows from investing activities					
Purchase of fixed assets	-	5,147	-	(71,299)	(156,705)
Increase in mineral properties - acquisition	-	(74,000)	(26,000)	(1,502,000)	(119,000)
Increase in mineral properties - exploration	(13,802)	(1,123,573)	(63,475)	(2,060,250)	(3,732,119)
Cash flows used in investing activities	(13,802)	(1,192,426)	(89,475)	(3,633,549)	(4,007,824)
Cash flows from financing activities					
Issue of common shares, net of issue cost	-	69,000	-	2,632,868	5,892,479
Decrease in advances from officers, directors and shareholders	-	-	-	-	(139,831)
Decrease in loan payable	-	-	-	-	(348,575)
Cash flows provided from (used in) financing activities	-	69,000	-	2,632,868	5,404,073
Net (decrease) increase in cash	(86,816)	(944,851)	(552,377)	(685,822)	16,504
Cash, beginning of period	103,320	1,338,658	568,881	1,079,629	-
Cash and cash equivalents, end of period	\$ 16,504	\$ 393,807	\$ 16,504	\$ 393,807	\$ 16,504

SUPPLEMENTAL CASH FLOW INFORMATION (Note 11)

See accompanying notes to the unaudited financial statements

HY LAKE GOLD INC.

(an exploration stage enterprise)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2009 and 2008

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS

Hy Lake Gold Inc. (the "Company") was incorporated on November 29, 1991 under the Business Corporations Act (Ontario). The Company is in the business of acquiring, exploring and developing mineral properties. Substantially all of the efforts of the Company are devoted to these business activities. To date the Company has not earned significant revenue and is considered to be in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the 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 government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Estimates*

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Precise determination of amounts of some assets and liabilities is dependent on future events. This requires that management makes estimates in the preparation of the financial statements. Actual results could vary from the estimates.

(b) *Mineral resource properties and deferred exploration costs*

Mineral properties have been recorded at cost. These costs are deferred, or capitalized until commencement of commercial mining operations, when the deferred costs applicable to the specific property will be amortized on the unit of production basis. If in any year the interests in specific properties are disposed of or abandoned, the deferred expenditures will be written off in that year.

The Company reviews its exploration properties to determine if events or changes in circumstances have transpired to indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for, and amount of, any write down.

HY LAKE GOLD INC.

(an exploration stage enterprise)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2009 and 2008

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income taxes

Future income tax assets and liabilities are determined based on differences between the financial statements carrying values and their respective income tax basis generally using the enacted income tax rates at each balance sheet date. Future income tax assets also arise from unused loss carry forwards and other deductions. The amount of the future income tax asset recognized is limited to the amount that is more likely than not to be realized. The estimated amount is reviewed annually and adjusted, if necessary, by use of a valuation allowance.

(d) Stock based compensation

The Company has a stock option plan, which is described in note 7(b). The Company accounts for stock-based compensation using the fair-value method. Under the fair value method, stock-based payments are measured at the fair value of equity instruments and are amortized over the vesting period. The offset to the recorded cost is contributed surplus in shareholders' equity.

(e) Fixed Assets

Fixed assets are stated at cost. Depreciation is provided on the diminishing balance basis at the following annual rates:

Computer equipment	30%
Machinery and equipment	20%
Vehicles	30%

(f) Flow through shares

The Company finances a portion of its exploration program with flow-through common share issues. Income tax deductions relating to these expenditures are claimable only by the investors. Proceeds from common share issues pursuant to flow-through financing are credited to capital stock.

(g) Asset retirement obligation

The fair value of the liability for an asset retirement obligation is recorded when it is incurred or can be reasonably estimated, and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at June 30, 2009 the Company has not incurred or committed any asset retirement obligations related to its exploration properties.

(h) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows that are expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount which the carrying amount of the asset exceeds the fair value of the asset.

HY LAKE GOLD INC.

(an exploration stage enterprise)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2009 and 2008

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) *Earning (loss) per share*

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to redeem common shares at the prevailing market value.

(j) *Revenue recognition*

Interest income is recognized on an accrual basis.

(k) *Cash and cash equivalents*

Cash and short-term investments with a remaining maturity of three months or less at the date of acquisition are classified as cash and cash equivalents. The Company places its cash and cash equivalents with institutions of high credit rating.

(l) *Cumulative information for exploration stage companies*

The Company has adopted CICA Handbook Accounting Guideline #11 with respect to financial statement presentation for exploration stage companies. Accordingly the statements of loss and cash flows have been altered to include a column outlining the cumulative revenues, expenses and cash flows from October 1, 2005 the date of commencement of exploration stage activities being to the fiscal year end date of the financial statements.

(m) *Share capital*

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the price per share paid in the most recent prior sale of shares for cash.

Costs incurred to issue common shares are deducted from share capital.

(n) *Change in accounting policies*

Section 3064

The new Section 3064 - Goodwill and Intangible Assets ensures that intangible assets meet the definition of an asset, and eliminates the " matching" principle, whereby certain costs were being deferred and expensed to match with revenue earned. The new standard applies for interim and annual financial statements for years beginning on or after October 1, 2008.

The adoption of this standard did not have an impact on the Company's financial statements.

HY LAKE GOLD INC.

(an exploration stage enterprise)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2009 and 2008**

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*(a) Future accounting changes**Section 1582*

The new Section 1582 - Business Combinations, which replaces Section 1581 - Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. The new standard applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted.

The Company does not expect the adoption of this new standard to have an impact on its financial statements.

Section 1601 & 1602

The new Sections 1601 - Consolidated Financial Statements and Section 1602 - Non-Controlling Interest, together replace Section 1600 - Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes the accounting for a non-controlling interest in a subsidiary, in the consolidated financial states, subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year.

The Company does not expect the adoption of these new standards to have an impact on its financial statements.

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

3. FIXED ASSETS

	Cost	Accumulated Depreciation	June 30, 2009 Net Book Value	September 30, 2008 Net Book Value
Computer equipment	\$ 2,488	\$ 874	\$ 1,614	\$ 1,848
Machinery and equipment	139,676	42,653	97,023	118,873
Vehicles	30,000	16,166	13,834	13,094
	<u>\$ 172,164</u>	<u>\$ 59,693</u>	<u>\$ 112,471</u>	<u>\$ 133,815</u>

HY LAKE GOLD INC.

(an exploration stage enterprise)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2009 and 2008**

(Unaudited)

4. MINERAL RESOURCE PROPERTIES AND DEFERRED EXPLORATION COSTS

Accumulated mineral property explorations have been incurred as follows:

June 30, 2009

	Balance, beginning of year	Acquisition	Exploration	Balance, end of period
Mount Jamie	\$ 2,980,473	\$ -	\$ 576,551	\$ 3,557,024
Rowan Lake	1,848,194	-	(512,785)	1,335,409
Golden Tree	115,000	20,000	-	135,000
Red Summit	341,546	-	(613)	340,933
Rubicon	10,000	6,000	322	16,322
Pipestone.	<u>3,431</u>	<u>-</u>	<u>-</u>	<u>3,431</u>
	<u>\$ 5,298,644</u>	<u>\$ 26,000</u>	<u>\$ 63,475</u>	<u>\$ 5,388,119</u>

During the previous quarter ending March 31, 2009 the Company announced the final drill results from the 2008 drilling program at the Red Lake project, including the Rowan Property and the Red Summit Mine Property.

Rowan Property:

The Rowan Property drill program was directed at the following targets the possible extension of the Porphyry Hill zone high grade gold intersected by Redstar Gold at the Newman-Todd gold zone; testing for strike extensions of the Rowan Mine Structure and testing multiple structural targets represented by the intersection of the Pipestone Bay - St. Paul Bay Deformation Zone with the Golden Arm Structure.

Highlights:

Rowan Mine vein system opens to depth and along strike to the east and west;

Additional drilling planned to target the extension of the Rowan Mine veins both along strike and depth;

Drilling along strike and below the Rowan underground workings intersects 14.52 grams of gold per tonne over 1.0 metres;

Assaying of unsplit and unsampled historic core (2006) assays 77.93 grams of gold per tonne over 1.5 metres.

HY LAKE GOLD INC.

(an exploration stage enterprise)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2009 and 2008**

(Unaudited)

4. MINERAL RESOURCE PROPERTIES AND DEFERRED EXPLORATION COSTS**(CONTINUED)*****Red Summit Mine Property:***

The Red Summit program consisted of 8 diamond drill holes totaling 2,259m. The purpose of the program was to test the depth and strike extension of the mineralized zones in the vicinity of the Red Summit Mine underground workings. Hy Lake Gold has now fulfilled the requirements required to exercise their option to obtain a 100% interest in the property from Claude Resources. Claude retains a 3% NSR, of which 1% is buyable by the Company for \$500,000.

Highlights:

Red Summit Mine vein system open to depth and along strike to the east and west.

Additional drilling planned to target the extension of the Red Summit Mine veins both along strike and depth

Drilling along strike and below the Rowan underground workings intersects 14.52 grams of gold per tonne over 1.0 metres

Hy Lake Gold has now met the option requirements and will be exercising their option to obtain a 100% interest in the property from Claude Resources.

5. COMMITMENTS

	2009	2010	2011	2012	Total Required	Outstanding as at 30/06/2009
Rowan Lake Property						
Work Commitments	\$ 909,589	\$ 1,000,000	\$ 180,822	\$ -	\$ 2,500,000	\$ 1,725,249
Golden Tree Property						
Cash payments	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ 60,000	\$ 30,000
Common shares	100,000	100,000	-	-	300,000	150,000
Work Commitments	\$ 30,000	\$ 40,000	\$ 50,000	\$ -	\$ 140,000	\$ 60,208
Red Summit						
Cash payments	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ -
Work Commitments	\$ 40,000	\$ 30,000	\$ 30,000	\$ -	\$ 100,000	\$ -
Rubicon						
Cash payments	\$ 6,000	\$ 9,000	\$ 12,000	\$ 20,000	\$ 50,000	\$ 47,000
Common shares	15,000	20,000	-	30,000	75,000	65,000

HY LAKE GOLD INC.

(an exploration stage enterprise)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2009 and 2008**

(Unaudited)

6. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the unaudited financial statements.

	Three Months	
	June 30, 2009	June 30, 2008
Consulting fees:		
Consulting fees were charged by a company that provides accounting and CFO and related services.	\$ 12,000	\$ 12,000
Management fees expense:		
Management fees were charged by a company controlled by an officer.	\$ 30,525	\$ 30,000
Legal fees:		
Legal fees were charged by law firm whose partner is an Officer.	\$ 290	\$ 4,485

Accounts payable at June 30, 2009 includes \$290 (2008 - \$2,339) owing to officers, directors and companies controlled by officers and directors.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. CAPITAL STOCK

(a) **Authorized** - Unlimited number of Common shares without par value

Unlimited number of Special shares

Common shares

	<u>Number of Shares</u>	<u>Amount</u>
Balance, September 30, 2007	16,585,781	\$ 11,751,580
Issued for cash (i)	5,643,914	\$ 2,546,741
Share issue costs	-	(182,245)
Tax effect of Flow-Through shares	-	(865,892)
Issued on exercise of options	120,000	36,000
Issued on exercise of warrants	109,500	87,600
Issued for property	2,310,000	1,469,000
Value attributed to warrants on private placement	-	(481,416)
Fair value of options exercised	-	26,316
Fair value of warrants exercised	-	67,890
Balance, September 30, 2008 and June 30, 2009	<u>24,769,195</u>	<u>\$ 14,455,574</u>

(i) Private Placements

The Company did not issue any new shares during the quarter ending June 30, 2009.

HY LAKE GOLD INC.

(an exploration stage enterprise)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2009 and 2008**

(Unaudited)

7. CAPITAL STOCK (CONTINUED)**(b) Stock-option plan**

The Company has a stock option plan ("Plan") under which the directors of the Company may grant options to acquire common shares of the Company to qualified directors and officers, employees, and consultants of the Company. Exercise prices cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The maximum aggregate number of common shares under options any time under the Plan cannot exceed 10% of the issued shares.

The following table reflects the activity during the six month period ended June 30, 2009 and 2008 of options granted, exercised and expired under the plan.

	2009		2008	
	Shares	Weighted Average exercise price	Shares	Weighted Average exercise price
Outstanding at beginning of period	2,340,000	\$0.63	660,000	
Granted during the period	-		1,800,000	\$0.30
Exercised during the period	-		(120,000)	
Expired during the period	-		-	
Outstanding at end of period	2,340,000	\$0.63	2,340,000	\$0.30

The following summarizes information on the stock options outstanding at June 30, 2009

Weighted average exercise price	\$ 0.63
Remaining contractual life	3.7 years
Options exercisable as at June 30, 2009	2,340,000

(c) Common Share Purchase Warrants

The following summaries warrants that have been issued:

	Number of Warrants	
	2009	2008
Balance, beginning of period	2,098,050	-
Warrants issued on issuance of shares for cash	3,120,000	2,051,000
Warrants issued as part of finders fees	300,000	57,050
Warrants exercised during the period	(109,500)	(10,000)
Warrants expired during the period	(1,437,550)	-
Balance, end of period	3,971,000	2,098,050

HY LAKE GOLD INC.

(an exploration stage enterprise)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2009 and 2008**

(Unaudited)

7. CAPITAL STOCK (CONTINUED)

The exercise price and expiry date of the warrants outstanding at period end are as follows:

<u>Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
300,000	0.50-0.75	September 17, 2010
3,000,000	0.50-0.75	September 16, 2010
120,000	0.50-0.75	September 29, 2010
350,000	1.25	July 25, 2009
<u>201,000</u>	1.50	July 25, 2009
<u><u>3,971,000</u></u>		

1) The fair value of 3,120,000 warrants issued along with the private placements in fiscal 2008 has been estimated at \$481,416 using the Black Scholes pricing model. The following weighted average assumptions were used:

Risk free interest rate 3.13%; expected volatility - 175%; Dividend yield - Nil and expected life 2 years.

2) The fair value of 57,050 warrants issued along with the private placements in fiscal 2007 has been estimated at \$35,371 using the Black Scholes pricing model. The following weighted average assumptions were used:

Risk free interest rate 4.1%; expected volatility - 150%; Dividend yield - Nil and expected life 2 years.

3) The fair value of 1,500,000 warrants issued along with the private placements in fiscal 2007 has been estimated at \$930,000 using the Black Scholes pricing model. The following weighted average assumptions were used:

Risk free interest rate 4.1%; expected volatility - 150%; Dividend yield - Nil and expected life 2 years.

4) The fair value of 350,000 warrants issued along with the private placements in fiscal 2007 has been estimated at \$188,111 using the Black Scholes pricing model. The following weighted average assumptions were used:

Risk free interest rate 4.7%; expected volatility - 150%; Dividend yield - Nil and expected life 2 years.

HY LAKE GOLD INC.

(an exploration stage enterprise)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2009 and 2008**

(Unaudited)

8. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following:

	<u>June 30, 2009</u>	<u>September 30, 2008</u>
Balance, beginning of the period	\$ 2,777,556	\$ 1,397,151
Stock-based compensation cost	-	993,195
Stock options exercised	-	(26,316)
Fair value of warrants exercised	-	(67,890)
Fair value of warrants issued	-	481,416
	<u>2,777,556</u>	<u>2,777,556</u>
Balance, end of the period	\$ <u>2,777,556</u>	\$ <u>2,777,556</u>

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Fair value

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have a material effect on the estimated fair value amounts.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are comparable to their carrying value due to the relatively short period to maturity of these instruments.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and sundry receivables. The Company has no material concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to sundry receivables is remote. Management does not believe the receivables are impaired. Cash and cash equivalents consists of bank deposits and short-term investments which are with a Canadian Chartered Bank, from which management believes the risk of loss is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2009, the Company had cash and cash equivalents of \$16,504 (2008 - \$393,807) to settle accounts payable and accrued liabilities of \$24,139 (2008 - \$622,974). The ability of the Company to continue to pursue its exploration activities is dependant on its ability to secure additional equity or other financing.

Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Sensitivity analysis

As at June 30, 2009, the carrying value amounts of the Company's financial instruments approximate their fair value.

HY LAKE GOLD INC.

(an exploration stage enterprise)

NOTES TO THE FINANCIAL STATEMENTS**FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2009 and 2008**

(Unaudited)

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will continue to assess its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it considers there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended June 30, 2009. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

11. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months June 30, 2009	Six months June 30, 2009
Accounts receivable	\$ 1,695	\$ 146,902
Prepaid expenses and deposit	4,536	8,762
Accounts payable and accrued liabilities	<u>4,917</u>	<u>(326,972)</u>
Changes in non-cash working capital balances	<u>\$ 11,148</u>	<u>\$ (171,308)</u>
Interest paid (received)	<u>\$ 264</u>	<u>\$ 496</u>
Income tax paid	<u>\$ -</u>	<u>\$ -</u>

Non-cash activities were conducted by the Company as follows:

	June 30, 2009	September 30, 2008
Issuance of common shares for property acquisitions	\$ -	\$ 68,000
Issuance of common shares for services	<u>-</u>	<u>39,353</u>
	<u>\$ -</u>	<u>\$ 107,353</u>

HY LAKE GOLD INC.

(an exploration stage enterprise)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2009 and 2008

(Unaudited)

12. LOSS PER SHARE

Basic loss per share has been calculated by dividing the net loss per the financial statements by the weighted average number of shares outstanding during the year. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued under outstanding warrants and options of the Company. As the Company is in a loss position for the years ended June 30, 2009 and 2008, no dilutive effect would result from the potential increase in common shares.

13. COMPARATIVE FIGURES

Certain June 30, 2008 comparative figures have been reclassified to conform with the current year's presentation adopted for June 30, 2009.