



**Annual Report to Shareholders
December 31, 2009**

RED MILE MINERALS CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

Background

This discussion and analysis of financial position and results of operation is prepared as at April 15, 2010 and should be read in conjunction with the audited financial statements for the period ended December 31, 2009 of Red Mile Minerals Corp. ("Red Mile" or the "Company"). Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. The following discussion and analysis provides information that management believes is relevant to the assessment and understanding of the Company's results of operations and financial condition. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Company Overview

The Company was incorporated under the laws of the Province of Alberta on May 31, 2007. The Company's head and registered office is located at 1000, 250 2nd Street S.W., Calgary, AB, Canada, T2P 0C1.

The Company issued 2,200,000 common shares, at a price of \$0.10 per share, to the directors, officers and seed shareholders on June 6, 2007 for aggregate gross proceeds of \$220,000.

On August 24, 2007, the Company received final receipts for a prospectus dated August 23, 2007 and became a reporting issuer in the Provinces of Alberta and British Columbia. On November 6, 2007, the Company completed its initial public offering to raise \$800,000. Subsequently, on November 12, 2007, the Company's common shares were listed on the TSX Venture Exchange ("TSXV"), as a capital pool company, under the trading symbol "RDM.P". The Company received final approval of its Qualifying Transaction in February 2010 and subsequently changed its name to Red Mile Minerals Corp. The Company's common shares continue to trade under the symbol "RDM".

Qualifying Transaction Summary

The Company completed the arm's length acquisition (the "Acquisition") from Russet Lake Resources Inc. ("Russet Lake") of all of Russet Lake's interest in the option (the "Option") to acquire a 100% interest in the Blue Quartz Property, Beatty Township, Ontario (the "Property"), subject to net smelter return royalties totaling 2.5% (the "NSR"), previously announced by Red Mile in its Press Release dated June 25, 2009. The Option is held under an option agreement between Russet Lake and Thundermin Resources Inc. and Wesdome Gold Mines Ltd. (the "Optionors") dated September 1, 2008 (the "Option Agreement"). Pursuant to the terms of an Assignment and Assumption Agreement dated August 25, 2009, as amended November 27, 2009, (the "Acquisition Agreement") between Red Mile, Russet Lake and the Optionors, Red Mile issued 3,505,000 of its Common Shares to Russet Lake and acquired, by assignment and assumption of remaining obligations, all of Russet Lake's interest in the Option Agreement. Accordingly, Red Mile now holds the Option to acquire a 100% interest in the Property, subject to the NSR. Under the terms of the Acquisition Agreement, the 3,505,000 Common Shares were issued to Russet Lake at a deemed price of \$0.05 per Common Share for an aggregate deemed acquisition value of \$175,250 and are subject to Escrow Restrictions as imposed by the TSX Venture Exchange (the "Exchange") and to hold periods expiring May 30, 2010.

Pursuant to the terms of the Acquisition Agreement, Russet Lake's remaining obligations under the Option Agreement that have been assumed by Red Mile include, in addition to those related to area of interest provisions, the NSR (up to an aggregate 0.5% of which can be bought down for \$500,000), and possible repayment of certain exploration and development expenditures out of net profits from operations on the Property if brought into production, in respect of which Red Mile is to be indemnified by Russet Lake for any amount Red Mile is required to repay in excess of \$1 million, the following in order to exercise the Option:

- (i) paying \$20,000 and issuing 50,000 Red Mile Common Shares to the Optionors on or before September 1, 2009, which cash payment has been made with funds advanced by Red Mile and which share issuance has been made;
- ii) paying \$20,000 and issuing 100,000 Red Mile Common Shares to the Optionors and completing \$150,000 in work expenditures in respect of the Property on or before September 1, 2010; and
- iii) paying \$20,000 and issuing 100,000 Red Mile Common Shares to the Optionors and completing \$250,000 in work expenditures in respect of the Property on or before September 1, 2011.

Having completed the Acquisition, Red Mile will be engaged in the business of exploring for, with the ultimate goal of developing and producing, precious metals from the Property and such other properties and interests as may be subsequently acquired by Red Mile.

The Property covers 400 hectares (4.0 square kilometers) of Early Precambrian gold mineralized rocks belonging to the Abitibi Greenstone Belt, located in the north central part of the Beatty Township. Gold was first discovered on the Property in 1907. In 1913 a vertical two compartment shaft was sunk to investigate the potential of gold mineralized veins exposed on surface. The operation ceased in 1916 due to fire. In 1921 the original shaft was deepened and surface and underground exploration continued until 1928. In 1933, Amalgamated Goldfields produced 30 ounces of gold from the underground workings and the surface dump. Since then, property has only seen sporadic exploration, including a 4 - hole diamond drill program carried out by Russet Lake in 2008.

Red Mile engaged an independent qualified person to prepare a technical report (a "Report") with respect to the Property in accordance with the requirements of NI 43-101 and the Exchange. No additional financing was required to complete the Blue Quartz Property acquisition and the Board of Directors will determine when additional financings are required.

Russet Lake is an arm's length private company incorporated pursuant to the laws of Ontario. Red Mile is advised that the directors and officers of Russet Lake are John V. Hickey of Toronto, Ontario, Director and President, and Robert Seitz of Toronto, Ontario, Director. Red Mile is further advised that no single shareholder of Russet Lake directly or indirectly beneficially holds a controlling interest in or otherwise controls or directs Russet Lake.

Upon approval of the Qualifying Transaction, John V. Hickey, President of Russet Lake, joined the board of Red Mile as President and CEO. Kerry Sparkes was appointed Vice President. Robert Matheson remains as the Chief Financial Officer. Larry Whitehead resigned as President and CEO and director. Peter Tallman and John Pallot remain on the Board of Directors. In addition, Red Mile will use its best efforts to elect or appoint an additional director of Russet Lake to its board at the earliest possible date.

The current directors and key officers' biographies are listed below:

Mr. Hickey (Toronto, Ontario), President, CEO and Director, John Hickey has been employed as a consultant with Blind Pharaoh Consulting, a private company, since 2006. From 2003 to 2006, he was Chief Financial Officer, Chief Operating Officer and a partner at Industrial Temporary Solutions Inc. Prior thereto, from 1996 to 2003, he served as investment advisor with BMO Nesbitt Burns. Mr. Hickey is also Chief Financial Officer for Nebu Resources Inc. and Sea Green Capital Corporation, both junior exploration companies listed on the Exchange.

Mr. Sparkes (North Vancouver, British Columbia), Vice President and Director is a professional geologist and has over 20 years experience in the exploration business gained working for Noranda Exploration Co. Limited as Project Geologist for seven years prior to becoming Senior Geologist and Exploration Manager with Archean Resources. In 1997, he joined Voisey's Bay Nickel Company Ltd., as Senior Geologist in charge of advanced exploration at Voisey's Bay. In 1998, Mr. Sparkes formed his own consulting company and began consulting for several junior exploration companies. At present, Mr. Sparkes holds the position of Vice-President Exploration for Messina Minerals Inc., and supervises the exploration and development of Messina's Boomerang Massive Sulphide Deposit. Mr. Sparkes is also a director of Donner Metals Ltd. and Knight Resources Ltd., both Vancouver based junior exploration companies listed on the Exchange.

Mr. Matheson (Vancouver, British Columbia), Chief Financial Officer, Corporate Secretary and Director, received his Chartered Accountant designation in 1983 while articling with an international accounting firm. In 1984, he founded a predecessor firm of Dale Matheson Carr-Hilton LaBonte LLP, Chartered Accountants, where he has been a

principal since. Mr. Matheson is a lead in the firm's Private Enterprise Group. In addition, he has other business interests, including being a partner in four steakhouse franchises.

Mr. Pallot (New Westminster, British Columbia), Director, has over 32 years experience in the telecommunications industry as a Business Field Supervisor for Telus. He has served as a Director of numerous public companies focused on the resource sector since 1993. Since 2002, Mr. Pallot has been the President and Chief Executive Officer of Windarra Minerals Ltd. and Westward Explorations Ltd., both mining issuers listed on the Exchange.

Mr. Tallman (North Vancouver, British Columbia), Director, is a geologist with over 25 years of mineral exploration experience gained from working on projects in Canada, Mexico, South America and Australia. He received his Bachelor of Science degree from the University of Western Ontario in 1984. Mr. Tallman spent three years as Vice-President, Exploration for Prime Equities International Corp., and previously worked for Noranda Inc. and BP-Selco Inc., exploring mineral resource properties primarily in Canada, Mexico, and South America. At present, Mr. Tallman is President and Chief Executive Officer of Messina Minerals Inc. focusing on base metal mineral deposits in central Newfoundland including Messina's newly discovered Boomerang massive sulphide deposit.

Property Description and Location

The Blue Quartz Property is located approximately 12 kilometres north-northeast of Matheson, 73 kilometres east-northeast of Timmins and 56 kilometres northwest of Kirkland Lake, all located in the Province of Ontario.

The Property consists of 25 patented mining claims, all with surveyed boundaries, located in Beatty Township, Ontario. As of April 2004, the patented mining claims have been consolidated into 1 parcel – Parcel 23623 covering approximately 400 ha.

The Qualifying Property is subject to net smelter returns royalties totalling 2.5%, up to an aggregate 0.5% of which can be bought down for \$500,000.

Patented claims do not have due dates or expiration dates. Assessment work is filed with the Ontario Ministry of Northern Development and Mines. The only payments in respect to the Qualifying Property are annual tax filings to the Ontario Ministry of Northern Development and Mines in the amount of \$1613.36, due January 23rd yearly, and municipal taxes to the township of Black River-Matheson, Ontario for the amount of \$94.82, and due on the first day of each year.

During the quarter ending December 31, 2009, the Qualifying Transaction was still not approved by the TSX Venture Exchange, and thus Red Mile performed no work on the property.

After the Qualifying Transaction was approved by the TSXV, the Company formally planned and approved a \$200,000 diamond drill program, with a plan to drill approximately 1,600 metres.

This drill program will begin May 10, 2010 with a completion date set at June 6, 2010.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Selected Annual Financial Information

A summary of selected annual financial information is as follows:

For the year ended December 31

	2009		2008		2007 (7 months)
Loss for the year	\$	(21,228)	\$	(93,862)	\$ (106,363)
Basic and diluted loss per common share	\$	(0.03)	\$	(0.02)	\$ (0.03)
Total assets	\$	620,922	\$	799,447	\$ 870,268
Working capital	\$	5,044	\$	774,692	\$ 868,554

December 31, 2009 Compared to December 31, 2008

During the fiscal year ended December 31, 2009 the Company recorded a net loss of \$210,228, including general and administrative expenses of \$213,430, compared to a net loss of \$93,862 and general and administrative expenses of \$114,858 in 2008. Included in 2009 expenses are professional fees of \$154,966 related primarily to the Company's Qualifying Transaction.

December 31, 2008 Compared to December 31, 2007

During the fiscal year ended December 31, 2008 the Company recorded a net loss of \$93,862 and \$114,858 for general and administrative expenses compared to a net loss of \$106,363 and \$106,634 for general and administrative expenses for the previous fiscal year which consisted of 7 months. During fiscal 2008 the Company reviewed several projects in pursuit of its Qualifying Transaction and incurred the majority of its costs for consulting, legal and filing fees, and increase travel costs pertaining to these reviews.

During the period ended December 31, 2008, the Company reported no revenues other than \$20,996 in interest earned. Due to the fact that the Company has not commenced principal operations, historical revenue and expenditure trends are not indicative of future activity.

Selected Interim Financial Information

A summary of selected interim financial information is as follows:

For the three month period ended

	Dec. 31 2009	Sept. 30 2009	June 30 2009	Mar. 31 2009	Dec. 31 2008	Sept. 30 2008	June 30 2008	Mar. 31 2008	Dec. 31 2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash and term deposits	593,382	623,164	740,832	771,279	796,628	790,887	821,182	852,666	867,274
Loss for the quarter	(6,543)	(106,630)	(31,712)	(4,343)	(15,947)	(31,209)	(30,049)	(16,657)	(96,188)
Loss per share (basic and diluted)	(0.01)	(0.02)	(0.01)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.03)
Total assets	620,922	654,150	745,435	773,470	799,447	792,353	823,561	853,610	870,268

The Company has no revenues other than interest on term deposits. Accordingly, each quarter, as expenses are incurred, cash and term deposits and total assets are reduced and the deficit is increased. Cash and term deposits have decreased from \$799,447 at December 31, 2008 to \$771,279 at March 31, 2009, \$740,832 at June 30, 2009, 623,164 at September 30, 2009 and \$593,382 at December 31, 2009. The Company's deficit has increased each quarter accordingly.

Financial Condition / Capital Resources

Since inception, the Company's capital resources have been limited to amounts raised from the sale of common shares in the Company. From inception to December 31, 2008, the Company has raised \$1,020,000 gross proceeds from the sale of its common shares. As at December 31, 2009, the Company had working capital of \$541,044. At the current rate of expenditure, the Company has sufficient working capital to meet its 2010 administrative overhead and complete its 2010 work expenditures on the Blue Quartz gold property.

Income Taxes

The Company currently has no active business and therefore any tax liability is limited to taxes on income received from cash on deposit. In the future the Company anticipates that this tax position will change. For the year ended December 31, 2009 expenses exceeded interest income, resulting in a loss for tax purposes.

Risks and Uncertainties

As the Company has not commenced principal operations, historical revenue and expenditure trends are not indicative of future activity. The Company has committed to certain work expenditures on the Blue Quartz gold property, and may enter into future agreements. The ability of the Company to fund its future operations and commitments is dependent on its ability to obtain additional financing.

Transactions with Related Parties

During the year ended December 31, 2009, the Company paid or accrued accounting fees of \$2,000 to a partnership of which Robert Matheson, CFO and Director of the Company, is a minority partner.

Recent Accounting Pronouncements

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian generally accepted accounting principles and IFRS.

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively 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 2011 with early adoption permitted.

In January 2009, the CICA issued Section 1601, Consolidated financial Statements, and 1602, Non-controlling interests which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted.

Management's Report On Financial Controls Over Internal Reporting

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under Multilateral Instrument ("MI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in MI 52-109.

Additional Disclosure for Venture Issuers Without Significant Revenue

Fourth Quarter Operating Expenses

	Three months ended December 31	
	2009	2008
EXPENSES		
Accounting fees	\$ 100	\$ -
Amortization	1,140	-
Consulting fees	-	2,420
Corporate administration fees	535	-
Office and miscellaneous	(299)	513
Promotion and advertising	235	-
Professional fees	59,539	14,356
Regulatory fees and transfer agent fees	4,415	7,775
Telephone	1,294	955
Travel and related costs	1,417	6,153
	<u>\$,376</u>	<u>\$ 32,172</u>

Disclosure of Outstanding Share Data (as at April 15, 2010)

Authorized and Issued Share Capital

Class	Par Value	Authorized	Issued
Common	Nil	Unlimited	9,755,000
Preferred	Nil	Unlimited	Nil

Subsequent to the end of the fiscal year, the Company issued 3,555,000 common shares pursuant to its Qualifying Transaction property acquisition.

Escrowed Shares

The initial 2,200,000 common shares issued on incorporation and all common shares that may be acquired from treasury of the Company by non-arm's length parties of the Company prior to completion of a Qualifying Transaction have been deposited with Computershare Investor Services Inc. under the Escrow Agreement dated June 30, 2007. Subsequent to the Company's completion of its Qualifying Transaction, 10% of these shares were released, and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release. The 3,505,000 shares issued to acquire the Blue Quartz property were deposited into escrow, with 172,250 released upon approval by the TSX of the Qualifying Transaction and the balance to be released on a schedule over a period of 3 years.

Description of Options, Warrants and Convertible Securities Outstanding

Security Type	Number	Exercise Price	Expiry Date
Options	460,000	\$0.20	November 6, 2012
Options	160,000	\$0.20	February 3, 2011
Options	225,000	\$0.10	February 4, 2015

During the fiscal year, 400,000 warrants exercisable at \$0.20 expired on November 12, 2009. Subsequent to the fiscal year end, the Company issued 225,000 incentive stock options exercisable at \$0.10 for a period of 5 years. Also subsequent to the fiscal year end, 160,000 options granted November 6, 2007 had their expiry date changed from November 6, 2012 to February 3, 2011 upon the resignation of a Director.

Subsequent Events

1. The Company has completed the acquisition of the option to acquire a 100% interest in the Blue Quartz Property and has issued 3,505,000 common shares at a deemed price of \$0.05 per common share for an aggregate deemed acquisition value of \$172,250 to the vendor. The Company has assumed the vendor's remaining obligations under the option agreement and issued 50,000 common shares of the Company to the optionors.
2. Subsequent to year end the Company granted 225,000 incentive stock options to certain employees, officers, directors and/or consultants at a price of \$0.10 per share, exercisable for a period of five years.
3. The Company changed its name to Red Mile Minerals Corp. to better reflect the nature of its operations.
4. On February 4, 2010, Larry Whitehead resigned as President and CEO and John Hickey was appointed President and CEO.
5. On April 7, 2010, Larry Whitehead resigned as a director.

Additional Information

Additional information relating to the Company can also be found on SEDAR at www.sedar.com



RED MILE MINERALS CORP.

(formerly Red Mile Capital Corp.)

FINANCIAL STATEMENTS

December 31, 2009 and 2008



MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Red Mile Minerals Corp. (formerly Red Mile Capital Corp.)

We have audited the balance sheets of Red Mile Minerals Corp. (formerly Red Mile Capital Corp.) as at December 31, 2009 and 2008 and the statements of operations, comprehensive loss and deficit, 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 December 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.

/s/ "Manning Elliott LLP"

Chartered Accountants

Vancouver, British Columbia

April 8, 2010

RED MILE MINERALS CORP.
(formerly Red Mile Capital Corp.)
BALANCE SHEETS
AS AT DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
Current		
Cash	\$ 93,382	\$ 45,675
Term deposits	500,000	750,000
Other receivables	4,120	3,772
	<u>597,502</u>	<u>799,447</u>
Computer software (Note 7)	3,420	-
Advance on mineral property agreement (Note 8)	20,000	-
	<u>\$ 620,922</u>	<u>\$ 799,447</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	<u>\$ 56,458</u>	<u>\$ 24,755</u>
Shareholders' equity		
Share Capital (Note 9)	837,102	837,102
Contributed surplus (Note 9)	137,815	137,815
Deficit	(410,453)	(200,225)
	<u>564,464</u>	<u>774,692</u>
	<u>\$ 620,922</u>	<u>\$ 799,447</u>

Nature of business and going concern (Note 1)
Subsequent events (Note 14)

Approved on behalf of the Board:

/s/ "John Hickey"
John Hickey, Director

/s/ "Robert Matheson"
Robert Matheson, Director

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

RED MILE MINERALS CORP.
(formerly Red Mile Capital Corp.)
STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
EXPENSES		
Accounting fees	\$ 5,355	\$ 1,900
Amortization	1,140	-
Consulting fees	9,575	20,775
Corporate administration fees	3,803	2,368
Office and miscellaneous	3,238	2,260
Promotion and advertising	780	2,701
Professional fees	154,966	42,280
Regulatory fees and transfer agent fees	27,465	25,845
Telephone	3,730	3,739
Travel and related costs	3,378	12,990
LOSS BEFORE OTHER ITEM	(213,430)	(114,858)
OTHER ITEM		
Interest income	3,202	20,996
NET LOSS AND COMPREHENSIVE LOSS	(210,228)	(93,862)
DEFICIT, BEGINNING	(200,225)	(106,363)
DEFICIT, ENDING	\$ (410,453)	\$ (200,225)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.02)
Weighted average number of common shares outstanding during the year	6,200,000	6,200,000

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

RED MILE MINERALS CORP.
(formerly Red Mile Capital Corp.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss and comprehensive loss for the year	\$ (210,228)	\$ (93,862)
Items not affecting cash:		
Amortization	1,140	-
Changes in non-cash working capital items:		
Decrease (increase) in other receivables	(348)	(778)
Increase in accounts payable and accrued liabilities	31,703	23,040
Net cash used in operating activities	<u>(177,733)</u>	<u>(71,600)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Term deposits	250,000	(250,000)
Purchase of computer software	(4,560)	-
Advance on mineral property agreement	(20,000)	-
Net cash provided by (used in) investing activities	<u>225,440</u>	<u>(250,000)</u>
Change in cash during the year	47,707	(321,600)
Cash, beginning of year	<u>45,675</u>	<u>367,275</u>
Cash, end of year	<u>\$ 93,382</u>	<u>\$ 45,675</u>

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

RED MILE MINERALS CORP.
(formerly Red Mile Capital Corp.)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Note 1 NATURE OF OPERATIONS

Red Mile Minerals Corp (the "Company") was incorporated under the Business Corporations Act of Alberta on May 31, 2007 and is a Capital Pool Company ("CPC") as defined by Policy 2.4 of the TSX Venture Exchange (the 'TSXV'). Effective February 17, 2010, the Company changed its name to Red Mile Minerals Corp. Subsequent to year end the Company completed its Qualifying Transaction by acquiring from Russet Lake Resources Inc. all of Russet Lake's interest in the option to acquire a 100% interest in the Blue Quartz gold property located in Beatty Township, Ontario. See Subsequent Events, Note 14. Effective January 19, 2010 the Company will no longer be considered a capital pool company.

The Company incurred a net loss of \$210,228 (2008: \$93,862) for the year ended December 31, 2009 and had an accumulated deficit of \$410,453 (2008: \$200,225) at December 31, 2009 which has been funded primarily by the issuance of equity. The ability of the Company to continue as a going concern is uncertain and is dependent upon the ability of the Company to obtain additional financing. In the event the additional financial support is not received, the carrying value of the Company's assets may be adversely affected.

These financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles.

Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

Term deposits

Term deposits consist of highly liquid short-term interest bearing securities with a term to maturity of greater than three months on the date of purchase.

Financial instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant ("CICA") Handbook Section 3840 - Related Party Transactions.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is

RED MILE MINERALS CORP.
(formerly Red Mile Capital Corp.)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Stock based compensation

The Company applies the fair value method to stock-based payments to all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are credited to share capital.

Future income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of changes in tax rates is recognized in income in the period that substantive enactment occurs.

Loss per share

Loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of “in the money” stock options and warrants.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. A significant area requiring the use of management estimates relates to the valuation of stock-based compensation and future income taxes. Management believes that the estimates used are reasonable and prudent; however, actual results could differ from those estimates.

Computer Software

Computer software is recorded at cost, including betterment and renewals subsequent to acquisition, less accumulated amortization. When computer software is sold or abandoned, the recorded costs and related accumulated amortization are removed from the accounts and any gains or losses are included in the determination of net earnings. Amortization is calculated using the straight line method over a period of one year.

RED MILE MINERALS CORP.
(formerly Red Mile Capital Corp.)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Computer Software (Continued)

The Company reviews the carrying value of computer software for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset exceeds the estimate of undiscounted future cash flows from the asset. At that time, the carrying amount is written down to fair value.

Note 3 RECENT ACCOUNTING PRONOUNCEMENTS

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian generally accepted accounting principles and IFRS.

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively 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 2011 with early adoption permitted.

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted.

Note 4 ADOPTION OF NEW ACCOUNTING STANDARDS

On January 1, 2009, the Company adopted the following provisions of the Canadian Institute of Chartered Accountant's ("CICA") Handbook Sections. There was no material impact on the Company's financial condition or operating results as a result of the adoption of the following standard:

Section 3862 - In June 2009, the CICA amended Section 3862, Financial Instruments – Disclosures. These amendments are applicable to financial statements relating to the Company's annual financial statements ending December 31, 2009. The amendments provide for additional disclosure requirements about fair value measurements of financial instruments and enhanced liquidity risk disclosure requirements for publicly accountable enterprises. The additional required disclosures are included in Note 5 of these financial statements.

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Note 5 FINANCIAL INSTRUMENTS AND RISK

Financial Instruments

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held for trading, held-to-maturity investments, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

	2009	2008
	\$	\$
Cash - Held for trading	93,382	45,675
Term Deposits – Held for trading	500,000	750,000
Receivables – Loans and receivables	4,120	3,772
<u>Accounts payable and accrued liabilities - Other financial liabilities</u>	<u>56,458</u>	<u>24,755</u>

The estimated fair values of cash, term deposits, receivables and accounts payable and accrued liabilities approximate their respective carrying values due to their nature and short terms to maturity.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity Risk

The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

Foreign Exchange Risk

The Company does not have significant foreign exchange risk as its administrative operations are all in Canadian dollars.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's exposure relates to its ability to earn short term interest on cash and term deposit balances at variable rates. The Company has no long-term debt and therefore is not affected by changes in long-term interest rates. With respect to interest rate risk management, the Company is at risk to open market fluctuation in interest rates.

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Note 6 CAPITAL DISCLOSURE

The Company's objectives when managing capital are to pursue and complete the identification and evaluation of assets, properties or businesses with a view to acquisition or participation in a qualifying transaction, to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long-term. The Company does not have any externally imposed capital requirements to which it is subject. Capital is comprised of the Company's shareholders' equity.

As at December 31, 2009, the Company had capital resources consisting of cash and term deposits. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or adjust the amount of cash and term deposits.

The Company's investment policy is to invest in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its process of identifying and completion of a qualifying transaction. Additional funds may be required to finance the Company's qualifying transaction.

Note 7 COMPUTER SOFTWARE

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Computer software	\$ 4,560	\$ 1,140	\$ 3,420	—

Note 8 ADVANCE ON MINERAL PROPERTY AGREEMENT

During the year ended December 31, 2009, the Company entered into an agreement with Russet Lake Resources Inc. (Russet Lake) to acquire a 100% interest in the Blue Quartz gold property located in northern Ontario. Russet Lake holds an option to acquire the 100% interest subject to net smelter return (NSR) royalties of 2.5%.

The agreement is subject to regulatory approval. In order to acquire this interest, the Company must:

- 1) issue 3,505,000 of its common shares to Russet Lake at a deemed price per share equal to the discounted market price as defined in the policies of the TSX (see note 12).
- 2) assume Russet Lake's remaining obligations under the option agreement which include:
 - a) making a cash payment of \$20,000 by September 30, 2009 (paid) and issuing 50,000 of the Company's common shares, which share issuance has been deferred by the optionors until the acquisition closes;
 - b) making a cash payment of \$20,000, issuing 100,000 of the Company's common shares, and completing \$150,000 in work expenditures on or before September 1, 2010;
 - c) making a cash payment of \$20,000, issuing 100,000 of the Company's common shares, and completing \$250,000 in work expenditures on or before September 1, 2011.

Up to an aggregate 0.5% of the NSR can be bought back for \$500,000.

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Note 9 SHARE CAPITAL

Authorized

Unlimited common voting shares, without par value

Unlimited preferred shares, without par value

	Number of Common Shares	Amount	Contributed Surplus
Issued			
Balance at December 31, 2009 and 2008	6,200,000	\$ 837,102	\$ 137,815

The Company did not issue any shares in the years ended December 31, 2009 and 2008.

Escrow Shares - There are 2,200,000 shares held in escrow. Under the escrow agreement, 10% of the shares will be released on the issuance of the Final Exchange Bulletin (the TSX's acceptance of the Qualifying Transaction) and an additional 15% will be released on each of the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the initial release.

Warrants - During the years ended December 31, 2009 and 2008, the Company did not issue any warrants. 400,000 agents' warrants at an exercise price of \$0.20 expired during the year.

Note 10 STOCK OPTION PLAN AND STOCK-BASED COMPENSATION

The Company has a stock option plan applicable to directors, officers and consultants, under which the total outstanding stock options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, an option's maximum term is five years from the grant date. Options under this plan vest upon issuance.

The Company did not issue any options during the years ended December 31, 2009 and 2008. As at December 31, 2009, the Company has 620,000 options outstanding and exercisable at an exercise price of \$0.20 with an expiry date of November 5, 2012.

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Note 11 INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2009	2008
Combined Canadian statutory income tax rate	30.00%	31.60%
Income tax recovery at statutory rate	\$ 63,068	\$ 29,097
Effect of income taxes of:		
Change in enacted rates	(10,611)	(4,872)
Change in valuation allowance	(52,457)	(24,225)
Income tax recoverable	\$ –	\$ –

Significant components of the Company's future income tax assets are shown below:

	2009	2008
Non-capital loss carry forwards	\$ 99,541	\$ 40,283
Share issue costs	13,971	20,956
Computer software	285	–
Valuation allowance	(113,797)	(61,239)
Net future income tax asset	\$ –	\$ –

The Company has approximately \$398,162 of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	<u>\$</u>
2027	39,328
2028	121,804
2029	<u>237,030</u>
	<u>398,162</u>

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion of all of the future income tax assets will not be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

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Note 12 RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions for the year ended December 31:

	2009	2008
Accounting fees	\$ 2,000	\$ 1,900
Consulting fees	-	3,900
	\$ 2,000	\$ 5,800

These fees are paid to entities in which principals are Directors of the Company. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Note 13 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Note 14 SUBSEQUENT EVENTS

- (a) The Company has completed the acquisition of the option to acquire a 100% interest in the Blue Quartz Property and has issued 3,505,000 common shares at a deemed price of \$0.05 per common share for an aggregate deemed acquisition value of \$172,250 to the vendor. The Company has assumed the vendor's remaining obligations under the option agreement and issued 50,000 common shares of the Company to the optionors. (See Note 8).
- (b) Subsequent to year end the Company granted 225,000 incentive stock options to certain employees, officers, directors and/or consultants at a price of \$0.10 per share, exercisable for a period of five years.