

Advanced Explorations Inc.
(A Development Stage Company)

Interim Consolidated Financial Statements
For the nine months ended September 30, 2009
(unaudited)

Notice of No Auditor Review of Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor, MSCM LLP, has not performed a review of these financial statements, in accordance with standards established by the Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Advanced Explorations Inc.
November 20, 2009

Advanced Explorations Inc.

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

	September 30 2009 \$ (unaudited)	December 31 2008 \$ audited
Assets		
Current assets		
Cash and cash equivalents (<i>note 5</i>)	2,290,468	1,480,344
Term deposit	-	155,000
Amounts receivable	314,879	246,904
Prepaid expenses	22,509	35,220
	2,627,856	1,917,468
Equipment, net of accumulated amortization (<i>note 6</i>)	355,711	418,484
Prepaid exploration expenditures	92,950	216,780
Mineral property (<i>note 7</i>)	42,641,824	40,886,580
	45,718,341	43,439,312
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,860,098	3,605,313
Long-term liabilities		
Future income tax liability (<i>note 9(i) & (iv)</i>)	4,135,972	1,495,352
	6,996,070	5,100,665
Shareholders' Equity		
Share capital (<i>note 9</i>)	29,529,224	30,782,042
Rights (<i>note 10</i>)	6,455,359	6,455,359
Warrants (<i>note 11</i>)	5,916,494	5,526,429
Contributed surplus (<i>note 12</i>)	4,594,104	2,459,167
Deficit	(7,772,910)	(6,884,350)
	38,722,271	38,338,647
	45,718,341	43,439,312

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

Basis of presentation and going concern (*Note 2*)

Approved by the Board

Signed "John C. Gingerich"
Director: John C. Gingerich

Signed "Gary Williams"
Director: Gary Williams

Advanced Explorations Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the periods ended

(Expressed in Canadian Dollars)

	For the three months ended September 30		For the nine months ended September 30		Cumulative from date of inception January 31, 2007
	2009	2008	2009	2008	
	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-
Expenses					
Stock Based Compensation (note 12)	42,389	214,819	207,652	577,373	1,623,130
Bonus share compensation	9,000	-	9,000	-	535,239
Consulting fees	66,723	211,491	236,468	522,623	1,401,843
Professional fees	41,585	122,348	224,384	398,091	978,188
Business development fees	15,340	41,585	43,910	130,483	390,858
Shareholder information and filing fees	21,150	16,378	56,841	63,690	355,399
Office and general	74,597	111,421	280,295	329,092	911,121
Travel	3,320	23,793	10,594	99,927	201,359
Interest and bank charges	(5,524)	(25,824)	(13,352)	(154,590)	(113,222)
Amortization	20,924	5,956	62,773	15,877	124,613
Exploration expense written off	-	-	-	-	325,000
Gain on loan forgiven	-	-	-	-	(54,497)
	289,504	721,967	1,118,565	1,982,566	6,679,031
Loss from operations	(289,504)	(721,967)	(1,118,565)	(1,982,566)	(6,679,031)
Recovery of future income taxes	-	200,000	230,000	1,900,000	2,433,551
Net loss and comprehensive loss for the period	(289,504)	(521,967)	(888,565)	(82,566)	(4,245,480)
Basic and diluted loss per share	0.00	(0.02)	(0.02)	0.00	
Weighted average shares outstanding	65,344,410	34,660,323	57,617,086	30,888,466	

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

Advanced Explorations Inc.

Consolidated Statements of Deficit and Accumulated Other Comprehensive Loss

For the periods ended

(Expressed in Canadian Dollars)

	For the three months ended September 30		For the nine months ended September 30		Cumulative from date of inception January 31, 2007
	2009	2008	2009	2008	
	\$	\$	\$	\$	\$
Deficit, beginning of period	(7,483,411)	(5,650,859)	(6,884,350)	(6,090,260)	(3,527,435)
Net loss and comprehensive loss for the period	(289,504)	(521,967)	(888,565)	(82,566)	(4,245,480)
Deficit, end of period	(7,772,915)	(6,172,826)	(7,772,915)	(6,172,826)	(7,772,915)
Accumulated other comprehensive loss, beginning of period	-	-	-	-	-
Unrealized gain/ loss	-	-	-	-	-
Accumulated other comprehensive loss, end of period	-	-	-	-	-

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

Advanced Explorations Inc.

Consolidated Statements of Cash Flows

For the periods ended

(Expressed in Canadian Dollars)

	For the		For the		Cumulative from date of inception January 31, 2007
	three months ended		nine months ended		
	2009	2008	2009	2008	
	\$	\$	\$	\$	\$
Cash flows used in operating activities					
Net loss for the year	(289,504)	(521,967)	(888,565)	(82,566)	(4,245,480)
Items not involving cash:					
Stock based compensation	42,389	214,819	207,652	577,373	1,623,130
Amortization	20,924	5,956	62,773	15,877	124,613
Recovery of future income taxes	-	(200,000)	(230,000)	(1,900,000)	(2,433,551)
Bonus share compensation	9,000	-	9,000	-	535,239
Exploration costs written off	-	-	-	-	325,000
Gain on loan forgiven	-	-	-	-	(54,497)
	(217,191)	(501,192)	(839,140)	(1,389,316)	(4,125,546)
Changes in non-cash working capital					
Amounts receivable	(99,551)	(822,147)	(67,975)	(669,817)	(314,874)
Prepaid expenses	(12,117)	55,756	136,546	(187,661)	101,321
Term deposit	-	-	155,000	-	-
Accounts payable and accrued liabilities	(307,727)	4,311,953	(745,215)	5,652,076	(363,119)
	(636,586)	3,044,370	(1,360,784)	3,405,282	(4,702,218)
Cash flows used in investing activities					
Mineral property expenditures	(377,098)	(9,861,852)	(1,105,347)	(18,222,695)	(29,687,035)
Prepaid exploration expenditures	-	(157,789)	-	(381,295)	297,788
Purchased equipment and fixtures	-	-	-	-	(480,324)
	(377,098)	(10,019,641)	(1,105,347)	(18,603,990)	(29,869,571)
Cash flows used in financing activities					
Net repayment of loan payables	-	-	-	-	(161,457)
Advance of promissory note	-	-	-	-	9,474
Issue of share capital	3,509,990	8,338,450	3,546,353	8,905,425	40,402,286
Share issue costs	(270,098)	(697,646)	(270,098)	(697,646)	(3,388,046)
	3,239,892	7,640,804	3,276,255	8,207,779	36,862,257
Increase/(decrease) in cash	2,226,208	665,533	810,124	(6,990,929)	2,290,468
Cash and cash equivalents , beginning of period	64,260	1,756,674	1,480,344	9,413,136	-
Cash and cash equivalents, end of period	2,290,468	2,422,207	2,290,468	2,422,207	2,290,468

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

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

1. Nature of operations

Advanced Explorations Inc. (the "Company" or "Advanced") was previously a provider of customer relationship management software and services. The Company was incorporated in Ontario on January 27, 1944. Effective September 1, 2007, the TSX Venture Exchange accepted the Company's Change of Business for filing which involved the Company's acquisition of a 50.1% interest in certain leases (the "Roche Bay Magnetite Project") pursuant to an Option Agreement between Advanced and Roche Bay Plc. ("Roche Bay") dated January 29, 2007, as amended. Amendments to the agreements were made throughout fiscal 2008 and 2009 to allow Advanced the option to acquire an additional interest up to 100% in the Roche Bay Magnetite Project.

The Company, which is in the development stage, is engaged in the acquisition, exploration and development of properties within the resource sector. The Company is in the process of exploring its resource property for mineral resources. The recovery of the amounts shown for the mineral property is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the exploration, and upon future profitable production.

Although the Company has taken steps to verify title to the property on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Basis of presentation and going concern

The accompanying consolidated financial statements of the Company have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. These consolidated financial statements do not include any adjustments to the carrying values of the Company's assets, liabilities, and expenses, and the related balance sheet and statement of operations classifications that would be necessary if the going concern assumption were inappropriate. Such adjustments have not been quantified by management, but could be material.

The Company has no sources of recurring revenue, has incurred losses amounting to \$5.5 million since its inception. The Company funded its operations for the nine month period ended September 30, 2009 through the use of existing cash reserves and private placements which generated \$3.5 million in gross proceeds. As at September 30, 2009, the Company had cash and cash equivalents of \$2.3 million (December 31, 2008 - \$1.48 million) and a working capital deficiency of \$232,250 (December 31, 2008 - working capital deficiency of \$1.68 million). The Company does not have sufficient cash reserves to fund its administrative costs for the coming twelve month period and to make inroads on its liabilities to trade creditors and debt holders. The ability of the Company to continue as a going concern is dependent upon the continuing financial support of shareholders or other investors, obtaining new financing on commercial terms acceptable to the Company to enable it to monetize its property assets, and upon attaining profitable operations once such assets can be monetized, all of which outcomes are uncertain and which, taken together, cast significant doubt over the ability of the Company to continue as a going concern. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

3. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and their basis of application is consistent with that of the previous year:

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its inactive wholly-owned subsidiary Web Sights International Inc. ("WSI"). All material inter-company balances and transactions have been eliminated. All references to the Company should be treated as references to the Company and its subsidiary.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2008. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable for the preparation of interim financial statements and are expressed in Canadian dollars. Accordingly, they do not include all of the information and disclosures required by GAAP for annual financial statements. The accounting policies used in the preparation of the accompanying unaudited interim consolidated financial statements are the same as those described in Note 2 of the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2008, except that the Company has adopted the following CICA standards effective January 1, 2009.

Goodwill and Intangible Assets

CICA Handbook Section 3064, "Goodwill and Intangible Assets", establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, "Revenues and Expenses during the pre-operating period". Companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009. The adoption of this standard will not have a material impact on the financial position and results of operation of the Company.

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

4. Future Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA announced that Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's financial statements starting with the first quarter of 2011.

The Company has commenced its IFRS conversion project that consists of the following three steps: scoping, evaluation and design and implementation. Some of the key activities will continue in 2009 and 2010 which include the review and approval of accounting topic papers, analysis of considerations of IRFS elections, accounting policy choices, training programs, and internal control review and risk assessments.

To date our analysis of IFRS in comparison with currently applied accounting principles have identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results. However there may be significant changes from the IFRS accounting principles and provision for first time adoption of IFRS on certain areas.

IFRS 1 "First Time Adoption of International Financial Reporting Standards" provides entities adopting IFRSs for the first time with a number of optional exemptions and mandatory exemptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company is analyzing the various accounting policy choices available and will implement those determined to be most appropriate in the Company's circumstances. Most adjustments required on transition to IRFS will be made retrospectively, against opening retained earnings as of the date of the first comparative balance sheet. The key areas where changes in accounting policies are expected that may impact the Company's consolidated financial statements are policies governing impairment of assets, share-based payments and income taxes. This should not be viewed as a complete list, but only to highlight the key areas that could impact the Company's consolidated financial statements.

The Company has not completed its quantification of the effects of adopting IFRS. The financial performance and financial position, as disclosed in our Canadian GAAP financial statements, may be significantly different when presented in accordance with IFRS

5. Cash and Cash Equivalents

The Bank currently holds an interest bearing term deposit of \$Nil (2008 – \$155,000) as security for the Company's credit cards.

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

6. Equipment

			September 30 2009	December 31 2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	\$ 452,653	\$ 118,110	\$ 334,543	\$ 393,580
Furniture & Fixtures	27,671	6,503	21,168	24,904
	\$ 480,324	\$ 124,613	\$ 355,711	\$ 418,484

7. Mineral Property

During fiscal 2007, the Company acquired the right to acquire a 50.1% interest in the Roche Bay Magnetite Project located near Roche Bay, on the eastern Melville Peninsula, Nunavut Territory from Roche Bay plc ("Roche Bay") pursuant to an Option Agreement between Advanced and Roche Bay dated January 29, 2007, as amended.

Under the Option Agreement to purchase up to 50.1%, Advanced paid Roche Bay \$250,000 and issued 8,000,000 Rights (the "Rights") at an exercise price of \$0.35 per Right in 2007. The Company was to issue a further 2,000,000 Rights at an exercise price of \$0.60 per Right upon completion of 15,000 meters of drilling. A further 2,000,000 Rights were issuable at an exercise price of \$1.00 per Right upon the completion of both (a) a total of 30,000 meters of drilling and (b) a NI 43-101 compliant

pre-feasibility study based on an envisioned minimum 6 million tonne per year mining operation containing a resource estimate of at least 750,000,000 tonnes of iron ore in the aggregate among the "measured" and "indicated" categories. The first tranche of 2,000,000 Rights was not issued upon completion of the 15,000 meters of drilling due to amendments to the original option agreement as noted below.

In July 2008, the Company announced an amendment to the Option Agreement with Roche Bay that would allow the Company to earn up to 70% of the Roche Bay Project. Pursuant to the amendments, on or before September 1, 2008, the Company was to give notice to exercise an option to acquire an additional 19.9% interest in the Roche Bay Project consisting of a cash payment of \$3.5 million plus 6 million of the Company's shares valued at \$ 2.50 per share. Under the terms of an Extension Agreement, the Company paid Roche Bay an additional \$200,000 before September 8, 2008 in order to maintain its rights to exercise its option to earn the additional 19.9% interest on the same terms and conditions, in return for an extension of the notice period end date to no later than November 30,, 2008.

The July 2008 amendment was subsequently replaced by the Company with a signed Memorandum of Understanding ("MOU") with Roche Bay dated December 3, 2008 with the following terms. The MOU would allow the Company to purchase the 85% currently owned by Roche Bay through either a buyout option or a royalty option. To acquire the right to either option, Advanced paid \$75,000 before December 20, 2008 and has pledged to pay an additional \$365,000 in 2009 plus shares or share warrants as agreed upon by the parties.

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

7. Mineral Property - continued

On April 1, 2009 the Company announced that it had finalized the Definitive Agreement based on the MOU whereby the Company had the option to acquire the remaining 85% of the right, title and interest in and to the Mining Property from Roche Bay.

The Definitive Agreement requires additional payments of \$365,000 in 2009 and \$275,000 in 2010, and the issuance of either 4,000,000 shares or 6,000,000 share purchase warrants with an exercise price of \$0.20 for the purchase of one share. All future rights to be issued to Roche Bay in accordance with the previous agreement will be cancelled.

Once the option to acquire has been exercised, the Company may:

(a) acquire Roche Bay's interest in the Leases subject to: (i) a retained 4% gross overriding royalty on iron products (such as nuggets) having greater than 90% iron content, (ii) a 6% gross overriding royalty on iron products (such as concentrates and pellets) having less than 90% iron content, and (iii) a 10% gross overriding royalty on byproduct precious metals (the "Royalty"); or

(b) purchase Roche Bay's interest in the Leases outright, and terminate the Royalty if effective, for a lump sum payment of \$25,000,000 on or before March 15, 2010 or \$30,000,000 after March 15, 2010 and on or before March 15, 2011; (the "Royalty Purchase Option").

If this buy-out option is not exercised, Advanced will thereafter have the right to buy out 50% of the Royalty (other than the precious metals royalty) before June 30, 2020 for a total payment of \$35,000,000 plus an inflation adjustment, allowing the Company to effectively reduce the gross overriding royalty on iron products to 2% on nuggets and 3% on concentrates/pellets, respectively.

In July 2009, the Definitive Agreement was approved by the TSX Venture Exchange and 4,000,000 Company shares which form part of the additional payments were issued to Roche Bay. The Definitive Agreement replaces the Amended and Restated Option and Farm-Out Agreement dated May 30th, 2007 between AEI and Roche Bay.

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

7. Mineral Property - continued

Statement of Roche Bay Magnetite Project, Nunavut, Canada Property

	Nine months ended September 30, 2009	Year ended December 31, 2008	Cumulative from date of inception on January 1, 2007
Acquisition costs			
Beginning balance	\$ 9,126,187	\$ 8,427,749	\$ -
Acquisition costs	605,000	275,000	1,130,000
Rights offering	-	-	7,954,493
Finders' fees	-	417,935	598,709
Government fees	24,161	5,503	72,146
Total acquisition costs during the period	629,161	698,438	9,755,348
Ending balance	9,755,348	9,126,187	9,755,348
Exploration expenditures			
Beginning balance	31,760,393	12,846,374	-
Salaries	514,044	2,571,066	4,676,999
Mobilization and demobilization	142,710	5,322,131	10,582,380
Camp costs	52,700	1,407,932	2,682,837
Miscellaneous	30,100	505,776	918,340
Drilling	160,308	6,005,980	10,141,813
Geophysics	26,975	456,157	518,010
Environmental	40,774	439,936	813,232
Technical studies	158,472	2,205,041	2,552,865
Total expenditures during the period	1,126,083	18,914,019	32,886,476
Ending balance	32,886,476	31,760,393	32,886,476
Total	\$ 42,641,824	\$ 40,886,580	\$ 42,641,824

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

8. Deferred Cost

On June 12, 2007, the Company signed a Memorandum of Understanding (MOU) in which Advanced entered into a partnership and option agreement with A Better Search Inc. ("Better Search") to pursue iron ore opportunities in Quebec.

The Company had a 4 month exclusive period to review all of Better Search's holdings to identify projects to option. In addition, Better Search collaborated with AEI in the ensuing 12 month period to identify other iron ore projects to acquire. As part of the option and collaboration agreement, the Company paid Better Search 200,000 common shares of the Company (valued at \$300,000) and \$25,000 in cash. No additional compensation was provided to Better Search for claims/projects acquired under the collaboration agreement.

During 2008, this search did not result in any project acquisitions. Costs related to it were expensed in fiscal 2008.

9. Share Capital

Authorized capital

The number of authorized common shares is unlimited.

Issued and outstanding	Number of Shares	Amount
Balance at December 31, 2007	27,876,553	24,223,168
Forgone tax benefit from flow through shares (i)	-	(3,698,903)
Exercise of stock options (<i>note 12</i>)	50,000	25,500
Fair value of stock options exercised (<i>note 12</i>)	-	16,610
Exercise of warrants (<i>note 11</i>)	625,480	181,850
Fair value of warrants exercised (<i>note 11</i>)	-	23,346
Exercise of rights (<i>note 10</i>)	1,027,500	359,625
Fair value of rights exercised (<i>note 10</i>)	-	1,021,662
Finders' fee for the Roche Bay Magnetite Project (<i>Note 7</i>)	614,610	417,935
Private placement (ii)	7,503,816	8,238,448
Fair value of compensation warrants issued (ii)	-	(262,905)
Private placement (iii)	15,999,909	1,759,990
Fair value of warrants issued (iii)	-	(512,000)
Fair value of compensation warrants issued (iii)	-	(121,940)
Cost of issue		(890,344)

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

9. Share Capital - continued

Balance, December 31, 2008	53,697,868	\$	30,782,042
Forgone tax benefit from flow through shares (iv)	-		(2,870,620)
Exercise of warrants (<i>note 11</i>)	227,272		36,363
Fair value of warrants exercised (<i>note 11</i>)	-		14,545
Private placement (v)	2,986,667		448,000
Fair value of warrants issued (v)	-		(312,700)
Private placement (vi)	14,679,997		2,611,990
Fair value of warrants issued (vi)	-		(1,469,768)
Fair value of compensation warrants issued (vi)	-		(79,530)
Private placement (vii)	3,000,000		450,000
Fair value of warrants issued (vii)	-		(300,000)
Finders fees in connection with private placement (vii)	300,000		60,000
Fair value of bonus shares issued (ix)	50,000		9,000
Acquisition costs for Roche Bay Magnetite Project (x)	4,000,000		480,000
Cost of issue			(330,098)
Balance, September 30, 2009	78,941,804	\$	29,529,224

(i) In total during the year ended December 31, 2007, the Company closed private placements of 4,346,333 flow through common shares. The renunciation of Canadian exploration costs in 2007 created a future income tax liability of approximately \$3,698,903. The Canadian exploration costs were actually renounced in February 2008, and accordingly, an adjustment was made in the first quarter of 2008 with an increase in tax liability by \$3,698,903 and a corresponding decrease in the share capital.

(ii) On July 31, 2008 and August 5, 2008, the Company completed two non-brokered private placements. A total of 7,489,725 flow through units were sold at a price of \$1.10 per unit for gross proceeds of \$8,238,698. Each flow through unit comprises of one flow through common share of the Company.

In addition, a total of 105,000 units were sold at a price of \$0.95 per unit, for gross proceeds of \$99,750. Each unit comprises of one common share of the Company and one half share purchase warrant, wherein each whole share purchase warrant shall be exercisable at the price of \$1.35 per common share. All issued shares and issuable shares pursuant to the exercise of share purchase warrants will be subject to a 4 month hold period from the date of issuance of the units. All warrants are exercisable for a term of 2 years from the date of distribution of the units. The warrants have been assigned a fair value of \$24,940.

The Company paid total cash commission of \$644,116 and compensation warrants of 445,483 as finders fees in connection with this offering. Each compensation warrant entitle the holder to purchase one common share of the Company at an exercise price of \$1.10 per common share for a term of 2 years from the closing date of this offering. The warrants have been assigned a fair value of \$237,965 using the Black-Scholes pricing model.

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

9. Share Capital - continued

- (iii) On December 12, 2008, the Company completed a brokered private placement. A total of 15,999,909 flow through units were sold at a price of \$0.11 per unit for gross proceeds of \$1,759,990. Each flow through unit comprises of one flow through common share of the Company and one half share purchase warrant, wherein each whole share purchase warrant shall be exercisable at the price of \$0.16 to purchase one common share. All issued shares and issuable shares pursuant to the exercise of share purchase warrants will be subject to a 4 month hold period from the date of issuance of the units. All warrants are exercisable for a term of 2 years from the date of distribution of the units. The warrants have been assigned a fair value of \$512,000.

The Company paid total cash commission of \$102,599 and compensation warrants of 1,243,629 as Finders Fees in connection with this offering. Each compensation warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.11 per common share for a term of 2 years from the closing date of this offering. The warrants have been assigned a fair value of \$89,540 using the Black-Scholes pricing model.

The Company paid compensation warrants of 450,000 as Finders Fees in connection with this offering. Each compensation warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.11 per common share for a term of 2 years from the closing date of this offering. The warrants have been assigned a fair value of \$32,400 using the Black-Scholes pricing model.

- (iv) In total during the year ended December 31, 2008, the Company closed private placements of 23,398,725 flow through common shares for gross proceeds of \$9,898,688. The renunciation of Canadian exploration costs in 2008 will create a future income tax liability of approximately \$2,870,620. The Canadian exploration costs were actually renounced in February 2009, and accordingly, an adjustment was made in the first 2009 quarter with an increase in tax liability by \$2,870,620 and a corresponding decrease in the share capital.
- (v) On July 13, 2009, the Company announced the completion of a non-brokered private placement. A total of 2,986,667 units were sold at a price of \$0.15 per unit for gross proceeds of \$448,000. Each unit comprised of one common share of the Company and one common share purchase warrant, wherein each whole common share purchase warrant is exercisable at the price of \$0.20 for the first 12 months and \$0.30 for the next 12 months. All issued shares and issuable shares pursuant to the exercise of share purchase warrants are subject to a 4 month hold period from the date of issuance of the units. All warrants are exercisable for a term of 2 years from the date of distribution of the units. The warrants have been assigned a fair value of \$312,700.
- (vi) On August 21, 2009, the Company completed a private placement where a total of 13,666,330 flow through units were sold at a price of \$0.18 per unit for gross proceeds of \$2,459,940. Each flow through unit comprised of one flow through common share of the Company and one common share purchase warrant, wherein each whole common share purchase warrant is exercisable at the price of \$0.25 to purchase one common share. All issued shares and issuable shares pursuant to the exercise of share purchase warrants are subject to a 4 month hold period from the date of issuance of the units. All warrants are exercisable for a term of 1 year from the date of distribution of the units.

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

9. Share Capital - continued

In addition to the above private placement, a total of 1,013,667 units were sold at a price of \$0.15 per unit for gross proceeds of \$152,050. Each unit comprised of one common share of the Company and one common share purchase warrant, wherein each whole common share purchase warrant is exercisable at the price of \$0.20 for the first 12 months and \$0.30 for the next 12 months. All issued shares and issuable shares pursuant to the exercise of share purchase warrants will be subject to a 4 month hold period from the date of issuance of the units. All warrants are exercisable for a term of 2 years from the date of distribution of the units. All warrants issued with this financing have been assigned a fair value of \$1,469,768.

The Company paid total cash commission of \$174,000 and compensation warrants of 713,916 as finders fees in connection with this offering. Each compensation warrant entitles the holder to purchase one unit at a price of \$0.18 per unit for a period of one year. Each unit shall consist of one common share in the capital stock of the Company and one common share purchase warrant., each warrant entitling the holder to purchase one common share for a period of one year from the date of issuance of the compensation warrants, exercisable at a price of \$0.25 per warrants. These compensation warrants have been assigned a fair value of \$76,530.

- (vii) On September 23, 2009, the Company announced the completion of a non-brokered private placement. A total of 3,000,000 units were sold at a price of \$0.15 per unit for gross proceeds of \$450,000. Each unit comprised of one common share of the Company and one common share purchase warrant, wherein each whole common share purchase warrant is exercisable at the price of \$0.25 for a period of one year from the date of closing. All issued shares and issuable shares pursuant to the exercise of share purchase warrants are subject to a 4 month hold period from the date of issuance of the units. The warrants have been assigned a fair value of \$300,000. The Company paid total cash commission of 300,000 common shares valued at \$0.20 per share as Finders Fees in connection with this offering.
- (ix) In July 2009, the Company issued 50,000 bonus common shares pursuant to employment agreements which the Company entered into after receiving TSX Venture Exchange approval. Each of the shares have a deemed price of \$0.18 per bonus common share. Future share bonuses shall be subject to future shareholder approval.
- (x) As described in Note 7, In July 2009, the Definitive Agreement was approved by the TSX Venture Exchange and 4,000,000 Company shares which form part of the additional payments were issued to Roche Bay. The fair value of the shares was deemed to be \$480,000. The Definitive Agreement replaces the Amended and Restated Option and Farm-Out Agreement dated May 30th, 2007 between AEI and Roche Bay.

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

10. Rights

The following table reflects the continuity of Rights as described in note 7 – Mineral Property:

	Number of Rights	Exercise Price	Value of Rights
Balance, January 1, 2007	-	-	-
Granted	8,000,000	\$0.35	7,954,493
Exercised	(480,203)	\$0.35	(477,472)
Balance, December 31, 2007	7,519,797	\$0.35	7,477,021
Granted	-	-	-
Exercised	(1,027,500)	\$0.35	(1,021,662)
Balance, December 31, 2008 and September 30, 2009	6,492,297	\$0.35	6,455,359

The following table reflects the actual rights outstanding as of September 30, 2009:

Expiry Date	Number of rights	Exercise price
June 2010	6,492,297	\$ 0.35
	6,492,297	

As discussed in Note 7 – Mineral Property, each Right will entitle the holder to purchase one common share of the Company within a period of 3 years after the date of issue. The issued Rights have been assigned a fair value of \$7,954,493 using the Black-Scholes pricing model. The following assumptions were used to calculate the fair value attributable to the issued Rights: dividend yield of 0%; risk free interest rate of 4.63%; expected stock volatility of 75%; and an expected life of 3 years.

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

11. Warrants

The following table reflects the continuity of warrants:

	Number of Warrants	Weighted average exercise price \$	Value of Warrants \$
Balance, December 31, 2007	8,970,769	3.38	4,652,930
Issued pursuant to private placements (notes 9 (ii) and (iii))	10,191,566	0.20	896,845
Fair value of warrants exercised	(625,480)	(0.29)	(23,346)
Balance, December 31, 2008	18,536,855	1.17	5,526,429
Fair value of warrants exercised	(227,272)	(0.16)	(14,545)
Expired during period	(4,487,314)	(1.90)	(1,757,388)
Issued pursuant to private placements (notes 9 (v) and (viii))	21,380,580	0.24	2,161,998
Balance, September 30, 2009	35,202,849	0.52	5,916,494

The following table reflects the actual warrants outstanding as of September 30, 2009:

Expiry Date	Number of warrants	Exercise price \$
October 16, 2009	1,988,480	2.00
November 21, 2009	1,320,000	3.88
November 26, 2009	549,495	3.88
July 31, 2010	302,697	1.10
August 5, 2010	52,500	1.35
August 5, 2010	142,786	1.10
December 12, 2010	7,772,682	0.16
December 12, 2010	1,693,629	0.11
July 29, 2011	2,986,667	0.20
August 11, 2011	1,013,667	0.20
August 13, 2010	7,777,775	0.25
August 20, 2010	5,888,555	0.25
September 22, 2011	3,000,000	0.25
August 13, 2010	388,889	0.18
August 20, 2010	325,027	0.18
	35,202,849	0.52

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

11. Warrants - continued

The fair value of the warrants issued during the year ended December 31, 2008 and the nine month period ended September 30, 2009, were estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

- risk free interest rate of 1.5 to 3.0%;
- expected dividend yield of nil;
- expected volatility of 75% to 150% ; and
- expected term of 1 to 2 years;

12. Contributed surplus and Stock-Based Compensation

The movements in the contributed surplus are as follows:

	\$
Balance, December 31, 2007	1,059,111
Fair value of options granted	1,416,666
Fair value of options exercised	(16,610)
Balance, December 31, 2008	2,459,167
Fair value of options granted	377,549
Fair value of options exercised	-
Expired warrants in period	1,757,388
Balance, September 30, 2009	4,594,104

The Company has in effect a Stock Option Plan (the "Plan") that provides for the potential grant of options to officers, directors, employees and consultants to purchase up to 10% of the issued and outstanding common shares at the time of grant less any shares reserved for issuance for insiders under other compensation arrangements. The terms of the awards under the Plan are determined by a Board appointed committee.

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

12. Contributed Surplus and Stock-Based Compensation - continued

The following table reflects the continuity of stock options granted, exercised and forfeited:

	Number of Stock options	Weighted average exercise price *
Balance, December 31, 2007	1,450,000	\$1.10
Granted	1,295,000	1.62
Exercised	(50,000)	(0.51)
Forfeited	(325,000)	(1.25)
Balance, December 31, 2008	2,370,000	\$1.26
Granted	2,750,000	0.16
Exercised	-	-
Forfeited	(600,000)	1.28
Balance, September 30, 2009	4,520,000	\$0.24

* During the period the Company re-priced 2.2 million previously granted stock options of the Company from their original price to a new exercise price of \$0.35 cents per option with no change in expiry date. The re-pricing was approved by the shareholders of the Company at its annual meeting in June 2009 and the TSX Venture Exchange. The change in the exercise price is reflected in the period end weighted average exercise price.

The following table reflects the actual stock options issued and outstanding as of September 30, 2009:

Expiry Date	Exercise price	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Contractual life (yrs)
March 2010	\$0.35	250,000	250,000	0.5
June 2012	\$0.35	825,000	825,000	2.7
February 2013	\$0.35	695,000	695,000	3.4
June 2013	\$0.35	150,000	150,000	3.7
February 2014	\$0.16	1,950,000	895,000	4.4
February 2014	\$0.17	650,000	-	4.9
		4,520,000	2,815,000	3.7

During the nine months ended September 30, 2009, the Company granted 2,750,000 new options with a weighted average exercise price of \$0.16 per share. During the year ended December 31, 2008, the Company granted 1,295,000 new options with a weighted average exercise price of \$1.62 per share. The fair value of the options vested during the nine month period ended September 30, 2009 and year ended December 31, 2008, were estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

12. Contributed Surplus and Stock-Based Compensation - continued

- risk free interest rate of 1.5% to 3.0%;
- expected dividend yield of nil;
- expected volatility of 75%- 150% ; and
- expected term of 2 years;

For the nine months ended September 30, 2009, the Company recognized a total expense of \$207,652 and \$169,897 was accounted for as an increase in the carrying value of the mineral property. For the year ended December 31, 2008, Company recognized a total expense of \$779,166 and \$637,500 was accounted for as an increase in the carrying value of the mineral property

Option pricing models require the input of subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of the Black-Scholes option pricing model, as required by Canadian Generally Accepted Accounting Principles, may not provide a realistic measure of the fair value of the Company's stock options at the date of the grant.

13. Segmented Information

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements for the period also represent segment amounts.

14. Assignment and Assumption Agreement

The Company entered into a License Agreement with Laser Diagnostic Instruments International Inc. (LDI3) on December 21, 2005, amended on December 26, 2006, to obtain worldwide rights to use laser technology developed by LDI3 in oil and gas exploration. On July 17, 2007, the Company has entered into an Assignment and Assumption Agreement (the "Agreement") with PinPoint Xploration Inc. ("PinPoint") with respect to the License Agreement. Under this Assignment and Assumption Agreement, Advanced hereby assigns to PinPoint the License Agreement and all right, title and interest of Advanced to that agreement, with PinPoint assuming all obligations of Advanced under the License Agreement and performing all obligations of Advanced. PinPoint also agrees to release, discharge and indemnify and save Advanced harmless from and against all actions, suits, costs, losses, damages and expenses in respect of all such obligations arising from the agreement.

As partial consideration for this assignment and assumption, PinPoint agrees to allot and issue to Advanced 111,111 ordinary shares in the capital of PinPoint, which shares will represent, immediately following their issue to Advanced, 10% of the issued and outstanding ordinary shares in the capital of PinPoint. A certificate representing such shares will be delivered to Advanced. Advanced will have the right to participate in any future financings to maintain its equity interest. As of September 30, 2009 Advanced has not received any shares from PinPoint under the original agreement.

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

15. Loss per share

The following table sets forth the computation of basic and diluted earnings (loss) per common share for the following periods:

	Three months ended		Nine months ended	
	September 30		September 30	
	2009	2008	2009	2008
Weighted average number of shares outstanding in the year				
- basic	65,344,410	34,660,323	57,617,086	30,888,466
- diluted	65,344,410	34,660,323	57,617,086	30,888,466

Due to the continued losses for the period ended September 30, 2009, the effect of potentially dilutive equity instruments outstanding is anti-dilutive.

16. Capital Management

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, 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 rely on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include share capital, contributed surplus, rights, and warrants.

The property in which the Company currently has an interest is 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 to pay for administrative costs, the Company will spend 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 feels 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 their approach, given the relative size of the Company is reasonable. This policy is consistent with previous years.

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

17. Financial Instruments

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to short-term investments, receivables and prepaid expenses. The Company has no significant concentration of credit risk arising from operations. Financial instruments included in accounts receivable and prepaid expenses consist of goods and services tax due from the Federal Government of Canada and receivables or deposits from unrelated companies. Short-term investments consist of guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Management believes that the credit risk concentration with respect to financial instruments included in current assets is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet current liabilities when due. As at September 30, 2009, the Company had a cash balance of \$2.3 million (December 31, 2008 - \$1.5 million) to settle current liabilities of \$2.9 million (December 31, 2008 - \$3.6 million). Most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management is actively involved in identifying mining ventures and in seeking new equity financing to enable it to service the Company's existing liabilities and its ongoing administrative costs. There can be no assurance that the Company will be successful in these initiatives.

Market risk

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar. Major purchases are transacted in Canadian dollars. The Company funds certain operations and administrative expenses using United States dollar. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

(c) Price risk

The Company is indirectly exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company

Sensitivity analysis

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value.

Notes to the Interim Consolidated Financial Statements
For the nine months ended September 30, 2009

17. Financial Instruments - continued

As of September 30, 2009, the carrying amount of the financial instruments equals fair market value.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a nine month period.

Cash and cash equivalents are at floating interest rates. Sensitivity to a plus or minus 1% change in rates would affect net income by \$1,000.

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

Price risk is remote since the Company is not a producing entity.