

Advanced Explorations Inc.
(A Development Stage Company)

Interim Consolidated Financial Statements
For the three months ended March 31, 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.
May 20, 2009

Advanced Explorations Inc.

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

	March 31 2009 \$ (unaudited)	December 31 2008 \$ audited
Assets		
Current assets		
Cash and cash equivalents (<i>note 5</i>)	426,589	1,480,344
Term deposit	155,000	155,000
Amounts receivable	196,650	246,904
Prepaid expenses	19,167	35,220
	797,406	1,917,468
Equipment, net of accumulated amortization (<i>note 6</i>)	397,560	418,484
Prepaid exploration expenditures	71,000	216,780
Mineral property (<i>note 7</i>)	41,392,489	40,886,580
	42,658,455	43,439,312
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,152,869	3,605,313
Long-term liabilities		
Future income tax liability (<i>note 9(i) (iv)</i>)	4,135,972	1,495,352
	7,288,841	5,100,665
Shareholders' Equity		
Share capital (<i>note 9</i>)	27,911,422	30,782,042
Rights (<i>note 10</i>)	6,455,359	6,455,359
Warrants (<i>note 11</i>)	5,526,429	5,526,429
Contributed surplus (<i>note 12</i>)	2,658,198	2,459,167
Deficit	(7,181,794)	(6,884,350)
	35,369,614	38,338,647
	42,658,455	43,439,312

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

Basis of presentation and nature of operations (*Note 1*)

Subsequent events (*Note 17*)

Approved by the Board

Signed "John 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 March 31		Cumulative from date of inception January 31, 2007
	2009	2008	
	\$	\$	\$
Revenue	-	-	-
Expenses			
Stock Based Compensation (note 12)	109,467	144,493	1,524,945
Consulting fees	116,198	121,933	1,281,573
Professional fees	129,169	95,020	882,973
Business development fees	18,918	55,834	365,864
Shareholder information and filing fees	12,612	12,798	311,170
Office and general	115,641	97,966	746,467
Travel	6,606	27,856	197,371
Interest and bank charges	(2,091)	(44,643)	(101,959)
Amortization	20,924	4,463	82,764
Bonus share compensation	-	-	526,239
Exploration expense written off	-	-	325,000
Gain on loan forgiven	-	-	(54,497)
	527,444	515,720	6,087,910
Loss from operations	(527,444)	(515,720)	(6,087,910)
Recovery of future income taxes	230,000	1,350,000	2,433,551
Net income/(loss) and comprehensive income/ (loss) for the period	(297,444)	834,280	(3,654,359)
Basic and diluted income/(loss) per share	(0.01)	0.03	
Weighted average shares outstanding	53,697,868,	28,035,997	

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 March 31		Cumulative from date of inception January 31, 2007
	2009	2008	
	\$	\$	\$
Deficit, beginning of year	(6,884,350)	(6,090,260)	(3,527,435)
Net Income/(loss) and comprehensive income/(loss) for the period	(297,444)	834,280	(3,654,359)
Deficit, end of period	(7,181,794)	(5,255,980)	(7,181,794)
<hr/>			
Accumulated other comprehensive income, beginning of period	-	-	-
Unrealized gain/ loss	-	-	-
Accumulated other comprehensive income, 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 three months ended March 31		Cumulative from date of inception January 31, 2007
	2009	2008	
	\$	\$	\$
Cash flows used in operating activities			
Net income/(loss) for the year	(297,444)	834,280	(3,654,359)
Items not involving cash:			
Stock based compensation	109,467	144,493	1,524,945
Amortization	20,924	4,463	82,764
Recovery of future income taxes	(230,000)	(1,350,000)	(2,433,551)
Bonus share compensation	-	-	526,239
Exploration costs written off	-	-	325,000
Gain on loan forgiven	-	-	(54,497)
	(397,053)	(366,764)	(3,683,459)
Changes in non-cash working capital			
Amounts receivable	50,254	230,690	(196,650)
Prepaid expenses	161,833	(586,492)	126,613
Term deposit	-	-	(155,000)
Accounts payable and accrued liabilities	(452,444)	(79,412)	(70,348)
	(637,410)	(801,978)	(3,978,844)
Cash flows used in investing activities			
Mineral property expenditures	(416,345)	(1,371,034)	(28,998,032)
Prepaid exploration expenditures	-	-	297,788
Purchased equipment and fixtures	-	(40,433)	(480,324)
	(416,345)	(1,411,467)	(29,180,568)
Cash flows used in financing activities			
Net repayment of loan payables	-	-	(161,457)
Advance of promissory note	-	-	9,474
Issue of share capital	-	430,725	36,855,933
Share issue costs	-	-	(3,117,949)
	-	430,725	33,586,001
Increase/(decrease) in cash	(1,053,755)	(1,782,720)	426,589
Cash and cash equivalents , beginning of period	1,480,344	9,413,136	-
Cash and cash equivalents, end of period	426,589	7,630,416	426,589

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

Notes to Consolidated Financial Statements
For the three months ended March 31, 2009

1. Basis of Presentation and 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 throughout 2008 allow Advanced the option to acquire an additional interest up to 100% in certain leases as mentioned above.

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 and has not determined whether the property contains economically recoverable reserves. 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.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of the mineral property and the Company's continued existence is dependent upon the preservation of its interest in the underlying property, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write downs of the carrying value of the mineral property.

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.

As at March 31, 2009, the Company had cash and cash equivalents of \$426,589 (December 31, 2008 - \$1,480,344) and a working capital deficiency of \$2,355,463 (December 31, 2008 - working capital deficiency of \$1,687,845). The Company's ability to continue operations and fund its exploration property expenditures is dependent on management's ability to secure additional financing. 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 Consolidated Financial Statements
For the three months ended March 31, 2009

2. 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 for its first quarter commencing on 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 Consolidated Financial Statements
For the three months ended March 31, 2009

3. 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.

4. Future Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian Generally Accepted Accounting Principles ("GAAP") with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to replace Canadian GAAP with IFRS. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition to IFRS in 2011 will require a restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

5. Cash and Cash Equivalents

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

Notes to Consolidated Financial Statements
For the three months ended March 31, 2009

6. Equipment

			March 31 2009	December 31 2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	\$ 452,653	\$ 78,752	\$ 373,901	\$ 393,580
Furniture & Fixtures	27,671	4,012	23,659	24,904
	\$ 480,324	\$ 82,764	\$ 397,560	\$ 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 ("Agreement") between Advanced and Roche Bay dated January 29, 2007, as amended.

Under the 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 Agreement as noted below.

Each Right will entitle the holder to purchase one common share of the Issuer within a period of 3 years after the date of issue. The 8,000,000 issued Rights were 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.

On a periodic basis, management of the Company review exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization. Specific changes to the mineral property that occurred from January 1, 2008 to December 31, 2008 are as follows:

In July 2008, the Company announced an amendment to the 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 may 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.

Notes to Consolidated Financial Statements
For the three months ended March 31, 2009

7. Mineral Property - continued

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, dependent upon gaining TSX approval. 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. Per the MOU the 2,000,000 rights at \$0.60 and the right to acquire an additional 2,000,000 rights under the existing agreements will terminate once the buyout or royalty option is completed.

For additional information please see Note 17 Subsequent event.

Statement of Roche Bay Magnetite Project, Nunavut, Canada Property

	Three months Ended March 31, 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	-	275,000	525,000
Rights offering	-	-	7,954,493
Finders' fees	-	417,935	598,709
Government fees	650	5,503	48,635
Total acquisition costs during the period	650	698,438	9,126,837
Ending balance	9,126,837	9,126,187	9,126,837
Exploration expenditures			
Beginning balance	31,760,393	12,846,374	-
Salaries	235,543	2,571,066	4,398,498
Mobilization and demobilization	3,829	5,322,131	10,443,498
Camp costs	21,363	1,407,932	2,651,500
Miscellaneous	-	505,776	888,240
Drilling	160,308	6,005,980	10,141,813
Geophysics	-	456,157	491,035
Environmental	13,187	439,936	785,645
Technical studies	71,029	2,205,041	2,465,423
Total expenditures during the period	505,259	18,914,019	32,265,652
Ending balance	32,265,652	31,760,393	32,265,652
Total	\$ 41,392,489	\$ 40,886,580	\$ 41,392,489

Notes to Consolidated Financial Statements
For the three months ended March 31, 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 will be 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)
Balance, December 31, 2008	53,697,868	\$ 30,782,042
Forgone tax benefit from flow through shares (iv)	-	(2,870,620)
Cost of issue		-
Balance, March 31, 2009	53,697,868	\$ 27,911,422

Notes to Consolidated Financial Statements
For the three months ended March 31, 2009

9. Share Capital - continued

(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 non-flow through units were sold at a price of \$0.95 per unit, for gross proceeds of \$99,750. Each non-flow through unit comprises of one common share of the Company and one half non-flow through 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.

(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.

Notes to Consolidated Financial Statements
For the three months ended March 31, 2009

9. Share Capital - continued

(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.

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 March 31, 2009	6,492,297	\$0.35	6,455,359

The following table reflects the actual rights outstanding as of March 31, 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 Consolidated Financial Statements
For the three months ended March 31, 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 and March 31, 2009	18,536,855	1.17	5,526,429

The following table reflects the actual warrants outstanding as of March 31, 2009:

Expiry Date	Number of warrants	Exercise price
June 4, 2009	3,868,500	\$ 2.00
June 4, 2009	62,374	\$ 1.50
June 4, 2009	556,440	\$ 1.25
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	7,999,954	\$ 0.16
December 12, 2010	1,693,629	\$ 0.11
	18,536,855	1.17

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

- risk free interest rate of 3.10 to 4.63%;
- expected dividend yield of nil;
- expected volatility of 75% to 130% ; and
- expected term of 1 to 2 years;

Notes to Consolidated Financial Statements
For the three months ended March 31, 2009

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	199,031
Fair value of options exercised	-
Balance, March 31, 2009	2,658,198

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.

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	2,100,000	0.16
Exercised	-	-
Forfeited	-	-
Balance, March 31, 2009	4,470,000	\$0.77

Notes to Consolidated Financial Statements
For the three months ended March 31, 2009

12. Contributed Surplus and Stock-Based Compensation - continued

The following table reflects the actual stock options issued and outstanding as of March 31, 2009:

Expiry Date	Exercise price	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Contractual life (yrs)
March 2010	\$0.51	250,000	300,000	1.0
June 2012	\$0.25	825,000	825,000	3.2
February 2013	\$1.65	1,145,000	1,019,500	3.9
June 2013	\$1.35	150,000	112,500	4.2
February 2014	\$0.16	2,100,000	0	4.9
		4,470,000	2,257,000	4.1

During the three months ended March 31, 2009, the Company granted 2,100,000 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 three month period ended March 31, 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:

- risk free interest rate of 3.3 to 4.67%;
- expected dividend yield of nil;
- expected volatility of 75%- 130% ; and
- expected term of 5 years;

For the three months ended March 31, 2009, the Company recognized a total expense of \$109,467 and \$89,564 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.

Notes to Consolidated Financial Statements
For the three months ended March 31, 2009

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 December 31, 2008 Advanced has not received any shares from PinPoint under the original agreement.

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 March 31	
	2009	2008
Weighted average number of shares outstanding in the year		
- basic	53,697,868	28,035,997
- diluted	53,697,868	33,985,644

Due to the continued losses for the period ended March 31, 2009, the effect of potentially dilutive equity instruments outstanding is anti-dilutive.

Notes to Consolidated Financial Statements
For the three months ended March 31, 2009

16. 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 March 31, 2009, the Company had a cash balance of \$426,589 (December 31, 2008 - \$1,480,344) to settle current liabilities of \$3,152,869 (December 31, 2008 - \$3,605,313). All 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 Consolidated Financial Statements
For the three months ended March 31, 2009

16. Financial Instruments - continued

As of March 31, 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 three 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.

17. Subsequent Events

On April 1, 2009 the Company announced that it has acquired the option to acquire the remaining 85% of the right, title and interest in and to the Mining Property (*Note 7*), from Roche Bay.

The agreement will require 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.

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 March 31, 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.

This transaction and the Definitive Agreement are subject to TSX Venture Exchange approval. Shareholder approval may also be required. Once approved and in effect, the Definitive Agreement will replace the Amended and Restated Option and Farm-Out Agreement dated May 30, 2007 between Advanced and Roche Bay (as amended).