Mediterranean Resources Ltd.

Consolidated Financial Statements

September 30, 2009 (Unaudited) and December 31, 2008

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Mediterranean Resources Ltd.
Consolidated Balance Sheets
As at September 30, 2009 and December 31, 2008
(Expressed in Canadian Dollars)

	September 30, 2009 (Unaudited)	December 31, 2008
Assets		
Current assets		
Cash	**$ 214,823**	$ 460,694
Short-term investments (Note 3)	**2,025,664**	3,952,057
GST and VAT receivable (Note 4)	**178,252**	288,824
Prepaid expenses and deposits	**89,776**	158,022
	2,508,515	4,859,597
Mineral properties (Note 5 and Schedule A)	**15,608,136**	14,493,828
Leasehold improvements and equipment (Note 6)	**91,405**	96,019
	$ 18,208,056	$ 19,449,444
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	**$ 194,922**	$ 315,365
Due to related parties (Note 9)	**76,025**	317,944
	270,947	633,309
Shareholders' Equity		
Share capital (Note 7)	**18,079,353**	18,079,353
Contributed surplus (Note 7)	**6,298,514**	6,235,808
Deficit	**(6,440,758)**	(5,499,026)
	17,937,109	18,816,135
	$ 18,208,056	$ 19,449,444

Continuing operations (Note 1)
Commitments (Note 13)
Subsequent event (Note 14)

Approved on behalf of the Board of Directors

"Peter Guest" Director ______________________ *"Bryan Morris"* Director ______________________

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

Mediterranean Resources Ltd.
Consolidated Statements of Operations and Comprehensive Loss
For the three months and nine months ended September 30, 2009 and 2008
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2009	2008	**2009**	2008
Expenses				
Corporate general and administrative (Note 8)	**$ 308,872**	$ 471,338	**$ 933,197**	$ 1,384,376
Other expenses (income)				
Interest income	**(7,667)**	(52,817)	**(32,896)**	(205,248)
Foreign exchange (gain) loss	**17,179**	(15,359)	**41,431**	(2,538)
Write-off of accounts payable (Note 10)	–	–	–	(329,138)
	9,512	(68,176)	**8,535**	(536,924)
Net loss and comprehensive loss for the period	**$ 318,384**	$ 403,162	**$ 941,732**	$ 847,452
Basic and diluted loss per share	**$ 0.00**	$ 0.00	**$ 0.01**	$ 0.01
Weighted-average number of shares outstanding	**87,219,248**	87,219,248	**87,219,248**	87,219,171

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

Mediterranean Resources Ltd.
Consolidated Statements of Shareholders' Equity
As at September 30, 2009 and December 31, 2008
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Contributed surplus	Deficit	Total Shareholders' equity
Balance, December 31, 2007	87,218,748	$ 18,079,153	$ 5,775,308	$ (4,365,544)	$ 19,488,917
Exercise of agents' options and warrants	500	200	(75)	–	125
Stock-based compensation	–	–	460,575	–	460,575
Net loss	–	–	–	(1,133,482)	(1,133,482)
Balance, December 31, 2008	87,219,248	18,079,353	6,235,808	(5,499,026)	18,816,135
Stock-based compensation	–	–	62,706	–	62,706
Net loss	–	–	–	(941,732)	(941,732)
Balance, September 30, 2009 (Unaudited)	87,219,248	$ 18,079,353	$ 6,298,514	$ (6,440,758)	$ 17,937,109

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

Mediterranean Resources Ltd.
Consolidated Statements of Cash Flows
For the three months and nine months ended September 30, 2009 and 2008
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2009	2008	**2009**	2008
Cash provided by (used for):				
Operating activities				
Net loss for the period	**$ (318,384)**	$ (403,162)	**$ (941,732)**	$ (847,452)
Non-cash items:				
Amortization of leasehold improvements and equipment	**3,139**	5,001	**9,116**	14,470
Accrued interest income	**(3,851)**	(8,088)	**(19,364)**	(23,821)
Stock-based compensation	**–**	215,230	**62,706**	390,303
Write-off of accounts payable	**–**	–	**–**	(329,138)
Foreign exchange (gain) loss	**17,179**	(15,359)	**41,431**	(2,538)
Net changes in non-cash operating working capital (Note 11)	**(108,838)**	(137,623)	**(433,725)**	(443,830)
	(410,755)	(344,001)	**(1,281,568)**	(1,242,006)
Financing activities				
Proceeds from issuance of shares	**–**	–	**–**	125
Investing activities				
Purchase of short-term investments	**–**	(878)	**(3,001,015)**	(1,503,974)
Proceeds from redemptions of short-term investments	**500,000**	2,147,918	**4,946,772**	5,400,881
Investment in mineral properties	**(222,160)**	(1,351,059)	**(864,872)**	(2,474,390)
Acquisition of equipment	**(4,181)**	(2,182)	**(4,502)**	(17,785)
	273,659	793,799	**1,076,383**	1,404,732
Foreign exchange gain (loss) on cash held in foreign currency	**(17,176)**	15,376	**(40,686)**	2,250
Increase (decrease) in cash	**(154,272)**	465,174	**(245,871)**	165,101
Cash – Beginning of period	**369,095**	632,615	**460,694**	932,688
Cash – End of period	**$ 214,823**	$ 1,097,789	**$ 214,823**	$ 1,097,789

Supplemental cash flow information (Note 11)

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

1 Nature of operations and continuing operations

Mediterranean Resources Ltd., a public company incorporated under the laws of the Province of British Columbia, Canada, is listed on The Toronto Stock Exchange ("TSX") under the trading symbol "MNR", having graduated from the TSX Venture Exchange ("TSX.V") in December 2007. In April 2007, the Company's shares commenced being quoted on the Frankfurt Stock Exchange under the trading symbol "MHM1". The Company is in the business of exploring mineral properties, including the Yusufeli mineral properties in Turkey.

The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties, including sustaining capital for its Yusufeli properties, and to establish future profitable production. The Company may not have sufficient cash to fund the exploration and development of its mineral properties to commercial production and therefore may require additional funding, which if not raised, may result in the delay, postponement or curtailment of some of its activities. Management continues to evaluate the need for additional financing and is of the opinion that additional financing will be available to continue its planned activities in the normal course. Nonetheless, there is no assurance that the Company will be able to raise sufficient funds in the future to complete its planned activities.

2 Significant accounting policies

The consolidated financial statements are stated in Canadian dollars unless otherwise noted. They have been prepared by management in accordance with Canadian generally accepting accounting principles ("GAAP") and reflect consideration of the following significant policies:

Interim Financial Statements

The Company's standards of financial disclosure in these interim consolidated financial statements are in accordance with the recommendations in the Canadian Institute of Chartered Accountants ("CICA") standard on Interim Financial Statements. Certain note disclosures do not fully conform to Canadian GAAP disclosure requirements for annual financial statements, and these interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2008.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and the following wholly owned foreign subsidiaries:

- Turkey – Akdeniz Resources Madencilik A.S. (Akdeniz Resources Madencilik Ltd, to January 14, 2008)
- Bermuda – Mediterranean Minerals (Holding) Ltd. and Mediterranean Minerals (Bermuda) Ltd. (to December 31, 2008)

Use of estimates and assumptions

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses for the periods reported. Actual results could differ from these estimates. Significant estimates and assumptions include those related to the determination as to whether costs are expensed or capitalized; the establishment of accounts payable and accrued liabilities estimates to account for the abandonment of long-lived assets and dispute resolutions; variables in the use of the Black-Scholes option pricing valuation model to record the fair value ascribed to equity instruments; valuation allowance for future income tax assets; and determining whether contingent assets or liabilities exist.

2 Significant accounting policies (continued)

Measurement uncertainty

Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are subject to significant measurement uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral reserves and resources which are supported by geological estimates, estimated gold and commodity prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

Translation of foreign currencies

The Company's subsidiaries are integrated foreign operations. Foreign functional currency transactions and balances are translated into the Canadian dollar reporting currency using the temporal method as follows:

a) Monetary items are translated at the rates prevailing at the balance sheet date;
b) Non-monetary items are translated at historical rates;
c) Revenues and expenses are translated at the average rates in effect during applicable accounting periods, except amortization, which is translated at historical rates;
d) Gains and losses on foreign currency translation are reflected in the consolidated statements of operations.

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and investments in financial instruments with maturities within 90 days held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. As at September 30, 2009 and December 31, 2008, the Company did not have any cash equivalents.

Short-term investments

Short-term investments are carried at cost which approximates fair value. The carrying value of short-term investments includes accrued interest receivable.

Leasehold improvements and equipment

Leasehold improvements and equipment are recorded at cost less accumulated amortization. For leasehold improvements, amortization is provided on a straight-line basis at a rate of 20% per year; for equipment, on a declining-balance basis at a rate of 20% per year.

Mineral properties

The Company records its interest in mineral properties at cost, less option payments received, or at fair value if the consideration is common shares. Exploration expenditures are capitalized until the properties are sold, abandoned or brought into production. Costs related to abandoned properties are written off in the period of abandonment. Costs related to producing properties are amortized on the unit-of-production method over the useful life of the ore body following commencement of commercial production.

2 Significant accounting policies (continued)

Mineral properties (continued)

Exploration costs comprise expenditures directly attributable to the ownership and exploration in mineral properties on a property-by-property basis. Acquisition costs include initial option and land title payments at the date of acquisition, and subsequent option and royalty payments required to maintain ownership title. Options and royalties are exercisable at the discretion of the optionee, and accordingly, the related amounts are recorded only upon payment or receipt. Capitalized exploration and development costs include overhead directly related to the properties. The amounts shown for exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. Capitalized costs are subject to measurement uncertainty and it is reasonably possible, based on changes in conditions and assumptions that a material change in the recorded amounts could be required.

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

Long-lived assets

The Company follows the recommendations in CICA Handbook Section 3063 – "Impairment of Long-Lived Assets" and the CICA's Emerging Issues Committee ("EIC") emerging extract EIC-126 – "Accounting by Mining Enterprises for Exploration Costs". Section 3063 requires that the Company review long-lived assets, including mineral properties for impairment. Long-lived assets are assessed for impairment when events and circumstances warrant an assessment. EIC-126 consensus is that a mining enterprise in the development stage is not obliged to conclude that capitalized costs have been impaired due to the absence of a projected estimated future net cash flow from the mining enterprise. Mineral properties in the exploration stage do not have established mineral reserves and a basis for the preparation of a projection of the estimated future net cash flow from the properties does not exist. However, a mining enterprise is required to consider the conditions in Section 3063 for impairment write-down. The conditions include significant unfavourable economic, legal, regulatory, environmental, political and other factors. In addition, management's development activities towards its planned principal operations are a key factor considered as part of the ongoing assessment of the recoverability of the carrying amount of mineral properties. Whenever events or changes in circumstances indicate that the carrying amount of a mineral property in the exploration stage may be impaired, capitalized costs are written down to the estimated recoverable amount.

The recent economic downturn warranted an assessment of the estimated recoverable amount for the Company's mineral properties. Management applied a market approach in its review using data from third party reports on the Company's gold reserves and "resource-in-the-ground" prices for property transactions in the geographical area. The approach resulted in a range of estimated recoverable amounts that were all in excess of the carrying amount of the Company's properties. Based on this information, management concluded that its properties were not impaired.

Asset retirement obligations

The Company is required to recognize a liability for an asset retirement obligation on long-lived assets when a legal liability exists and the amount of the liability is reasonably determinable. Asset retirement obligations are calculated on discounted future payment estimates and the liability is accreted over the expected term of the obligation. Subsequent adjustments are made when there are changes to the underlying assumptions. Corresponding amounts and adjustments are added to the carrying value of the related long-lived asset and charged to operations in accordance with accounting policy. As at September 30, 2009 and December 31, 2008, the Company had no legal obligation for reclamation and remediation costs.

2 Significant accounting policies (continued)

Equity instruments

Non-monetary consideration - Agent's warrants, stock and unit options, and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued is based on the trading price of those shares on the TSX on the date of the agreement to issue shares as determined by the Board of Directors and the issue of the shares are publicly announced. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method.

Share issue costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred charges. Share issue costs related to uncompleted share subscriptions are charged to operations.

Stock-based compensation

Compensatory stock based transactions with directors, officers, employees and outside consultants are recorded at estimated fair value. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Transactions are charged to operations or capitalized to mineral properties as appropriate, with an offsetting credit to contributed surplus. The fair value of stock options, which vest immediately, is recorded at the date of grant; the fair value of options, which vest in future, is recognized over the vesting period. Stock options that vest over time are recorded over the vesting period using the straight line method. Stock options issued to outside consultants that vest over time are valued at the grant date and subsequently valued on each vesting date. Stock-based compensation is recognized as an expense or, if applicable, capitalized to mineral property costs with a corresponding increase in contributed surplus.

Consideration received on the exercise of stock options together with the related portion previously recorded in contributed surplus is credited to share capital.

Comprehensive income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. The Company had no other comprehensive income or loss transactions during the nine months ended September 30, 2009 and 2008, and no opening or closing balances for "accumulated other comprehensive income or loss". During the nine months ended September 30, 2009 and 2008, comprehensive loss was equal to net loss.

Loss per share

Loss per share is calculated using the weighted average number of shares issued and outstanding during each period. Diluted loss per share is calculated using the treasury stock method, which assumes that stock options and warrants are only exercised when the exercise price is below the average market price during the period, and that the Company will use any proceeds to purchase its shares at their average market price during the period. Diluted loss per share equals loss per share as outstanding options and warrants are anti-dilutive.

2 Significant accounting policies (continued)

Recently adopted accounting pronouncements

(a) The CICA issued Section 3064 – Goodwill and Intangible Assets replacing Section 3450, Research and Development Costs. The new standard, which the Company will adopt in fiscal 2009, establishes guidelines for the recognition, measurement, presentation and disclosure of research and development costs. The Company adopted this section during the first quarter of the 2009 fiscal year and this standard did not have a material impact on the Company's consolidated financial statements.

(b) Credit risk and fair value of financial assets and financial liabilities

In January 2009, the CICA issued the Emerging Issues Committee ("EIC") Abstract EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", effective for interim and annual financial statements ending on or after January 20, 2009. Earlier adoption of this abstract is permitted. EIC-173 provides further information on the determination of the fair value of financial assets and financial liabilities under Section 3855, "Financial Instruments – Recognition and Measurement." It states that an entity's own credit and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 should be applied retroactively, without restatement of prior periods, to all financial assets and liabilities measured at fair value. The Company adopted this abstract during the first quarter of the 2009 fiscal year and this standard did not have a material impact on the Company's consolidated financial statements.

Future accounting pronouncements

(a) Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued the new handbook Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with US GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting for ownership interest in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company is currently considering the impact of adopting these pronouncements on its consolidated financial statements in fiscal 2011 in connection with the conversion to IFRS.

(b) Business combinations

In January 2009, the CICA issued the new handbook Section 1582, "Business Combinations" effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with US GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquire, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. Although the Company is considering the impact of adopting this pronouncement on the consolidated financial statements, it will be limited to any future acquisitions beginning in fiscal 2011.

2 Significant accounting policies (continued)

Future accounting pronouncements (continued)

(c) Convergence of Canadian GAAP with IFRS

Canada's Accounting Standards Board ratified a plan that will result in Canadian GAAP being converged with International Financial Reporting Standards ("IFRS") by 2011. Management has performed a preliminary analysis and highlighted areas where its current Canadian accounting practices differ from IFRS. The impact on the Company's consolidated financial statements has not yet been determined.

3 Short-term investments

At September 30, 2009, short-term investments comprised Guaranteed Investment Certificates ("GIC") in the amount of $2,025,664 (December 31, 2008: GIC – $5,648; Bankers' Acceptances - $3,946,409), all issued by Canadian chartered banks and with initial maturity dates of less than one year.

These investments had a weighted average yield of approximately 1.49% for the nine months ended September 30, 2009 (year ended December 31, 2008 – 3.66%). The market value of short-term investments held as at September 30, 2009 and December 31, 2008 approximated their carrying value. The Company did not have and has never had any short-term investments in asset-backed commercial paper.

4 GST and VAT receivable

The Company had the following receivables:

	September 30, 2009	December 31, 2008
	(Unaudited)	
GST receivable (Canada)	**$ 12,504**	$ 12,896
VAT (value added tax) receivable (Turkey)	**165,748**	275,928
	$ 178,252	$ 288,824

5 Mineral properties

The Company had accumulated the following acquisition and exploration expenditures:

	September 30, 2009	December 31, 2008
	(Unaudited)	
Turkey – Yusufeli properties (Schedule A)		
Acquisition costs	**$ 1,378,515**	$ 1,378,515
Exploration expenditures	**14,229,621**	13,115,313
Total acquisition costs and exploration expenditures	**$ 15,608,136**	$ 14,493,828

The Company's Yusufeli properties are located in the province of Artvin, Turkey. These properties, which include the Tac, Corak, Celtik and Cevreli properties, are situated along a 12-kilometre mineralized trend. In 2006, the Company acquired 100% interest in the Yusufeli mineral properties from Teck Cominco Limited's Turkish subsidiary, Teck Cominco Arama ve Madencilik Sanayi Ticaret A.S. ("TCAM").

Upon the commencement of commercial production, in each calendar quarter, the Company will be obligated to pay TCAM a net smelter returns royalty as follows:

(a) 1.5% if the average price of gold for the calendar quarter for which the royalty being paid is less than US $425 per ounce; or
(b) 2% if the average price of gold is equal to or greater than US $425 per ounce; and
(c) for all other minerals produced from the properties, 1.75% ; and
(d) on the six-month anniversary of the commencement of commercial production on the properties, the Company must pay TCAM US $2,000,000 in cash or in shares, at the election of TCAM.

In May 2007, the Company entered into a services agreement with a Turkish engineering firm, Dama Muhendislik A.S. ("Dama"), under which the Company continued with its exploration program on its Yusufeli gold properties. The Company is the operator and manager of the exploration programs, while Dama provides certain contract services whereby its technical team is utilized to implement the exploration programs and assist in community relations. An officer of the Company's Turkish subsidiary is a partner of Dama. This services agreement has been renewed every twelve months.

6 Leasehold improvements and equipment

	September 30, 2009	December 31, 2008
	(Unaudited)	
Leasehold improvements and equipment, at cost	**$ 163,439**	$ 158,937
Accumulated amortization	**(72,034)**	(62,918)
	$ 91,405	$ 96,019

For the nine months ended September 30, 2009, amortization in the amount of $9,116 (nine months ended September 30, 2008 – $14,470) was included in corporate general and administrative expenses under office, insurance and sundry.

7 Share capital

a) Authorized – an unlimited number of common shares without par value

b) Issued

During the nine months ended September 30, 2009, the Company did not issue any shares (year ended December 31, 2008 – 500 shares) from the exercise of agents' options. Total proceeds from the exercise of agents' options during the year ended December 31, 2008 were $125. A fair value of $75 was recognized on these exercised agents' options.

c) Warrants

At September 30, 2009, there were no warrants (December 31, 2008 – 22,204,016) outstanding for the purchase of shares. Warrants granted, exercised and expired during the nine months ended September 30, 2009 and year ended December 31, 2008 and outstanding as at September 30, 2009 and December 31, 2008 were as follows:

	Number of Warrants	Exercise Price	Weighted Average Exercise Price	Expiry Date
Balance, December 31, 2007	35,637,700	$ 0.38 – 0.50	$ 0.43	2008 – 2009
Granted (agents' options exercised)	250	$ 0.35	$ 0.35	2008
Expired	(13,433,934)	$ 0.35	$ 0.35	2008
Balance, December 31, 2008	22,204,016	$ 0.38 – 0.50	$ 0.47	2009
Expired	**(22,204,016)**	$ 0.38 – 0.50	$ 0.47	2009
Balance, September 30, 2009 (Unaudited)	**–**	**$ 0.00**	**$ 0.00**	

7 Share capital (continued)

d) Options

At September 30, 2009, 6,080,000 options (December 31, 2008 – 11,531,031 including 3,191,031 agents' options) were outstanding for the purchase of shares at prices ranging from $0.20 to $0.47 per share (December 31, 2008 – $0.20 to $0.65). Options entitled the holder to acquire one share for each option. Agents' options entitled the holder to acquire one share and one-half of one share purchase warrant when exercised. Options granted, exercised and expired during the nine months ended September 30, 2009 and year ended December 31, 2008 and outstanding as at September 30, 2009 and December 31, 2008 were as follows:

	Number of Options		Exercise Price		Weighted average exercise price	Expiry Date
Balance – December 31, 2007	12,690,710	$	0.25 – 0.65	$	0.34	2008 – 2012
Granted (directors, officers, employees and consultants)	1,260,000	$	0.20	$	0.20	2013
Agents' options exercised	(500)	$	0.25	$	0.25	2008
Cancelled	(490,000)	$	0.30 – 0.47	$	0.34	2011 – 2012
Agents' options expired	(1,929,179)	$	0.25	$	0.25	2008
Balance – December 31, 2008	11,531,031	$	0.20 – 0.65	$	0.34	2009 – 2013
Agents' options expired	**(3,191,031)**	$	0.30 – 0.38	$	0.36	2009
Expired	**(150,000)**	$	0.65	$	0.65	2009
Cancelled	**(2,110,000)**	$	0.20 – 0.47	$	0.34	2011–2013
Balance – September 30, 2009 (Unaudited)	**6,080,000**	**$**	**0.20 – 0.47**	**$**	**0.33**	**2011 – 2013**

Options outstanding as at September 30, 2009 were as follows:

As at September 30, 2009 (Unaudited)

Number of Options	Exercise Price	Number of options exercisable	Expiry Date
400,000	**$ 0.30**	**400,000**	**February 27, 2011**
30,000	**$ 0.38**	**30,000**	**May 9, 2011**
610,000	**$ 0.47**	**610,000**	**June 6, 2011**
1,950,000	**$ 0.30**	**1,950,000**	**December 14, 2011**
200,000	**$ 0.30**	**200,000**	**January 24, 2012**
1,930,000	**$ 0.38**	**1,930,000**	**July 6, 2012**
760,000	**$ 0.20**	**760,000**	**June 20, 2013**
200,000	**$ 0.20**	**200,000**	**July 4, 2013**
6,080,000		**6,080,000**	

As at September 30, 2009 the weighted average contractual life of the options was 2.50 years (December 31, 2008 – 3.20 years) and the average exercise price was $0.33 (December 31, 2008 – $0.35).

7 Share capital (continued)

e) Stock-based compensation

The Company established a stock option plan whereby the board of directors may from time to time grant options up to 10% of the issued and outstanding stock at the date of the grant to individual eligible directors, officers, employees or consultants. The maximum term of any option is five years. The exercise price of an option is not less than the closing price on the last trading day preceding the grant date. Vesting periods are determined by the board of directors and in accordance with the stock option plan and any regulatory requirements.

Date of Grant	Stock Options Granted during Year	Stock Options Vested to date	Fair Value of Options	**Stock-based Compensation for the nine months ended September 30, 2009**	Stock-based Compensation for the year ended December 31, 2008
				(Unaudited)	
2006	3,910,000	3,910,000	$ 1,003,107	**$ –**	$ 8,188
2007	3,660,000	3,660,000	$ 1,057,617	–	337,788
2008	1,260,000	1,210,000	$ 177,305	**62,706**	114,599
				$ 62,706	$ 460,575

During the nine months ended September 30, 2009, no options (year ended December 31, 2008 – 1,260,000 options) were granted to directors, officers, employees and consultants. The 1,260,000 options granted during the year ended December 31, 2008 were ascribed a total fair value of $177,305 based on a risk-free interest rate of 3.75%, an expected life of five years, an expected volatility of 169% and a dividend yield rate of nil, of which $114,599 and $62,706 were recognized as stock-based compensation for the year ended December 31, 2008 and the nine months ended September 30, 2009, respectively. Regarding the options granted in 2006 and 2007, the vested portion of $8,188 and $337,788 were recorded respectively during the year ended December 31, 2008. These options vested 25% at date of grant and 25% every four months thereafter until July 2008.

8 Corporate general and administrative expenses

Corporate general and administrative expenses were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	**2009**	2008
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Compensation**	**$ 147,725**	$ 350,181	**$ 515,781**	$ 818,765
Communications	**8,969**	18,600	**34,642**	90,986
Consulting	**39,956**	(5,000)	**55,024**	45,577
Office, insurance and sundry	**41,948**	42,440	**116,124**	183,359
Professional fees	**25,888**	23,250	**94,114**	81,258
Rent	**16,890**	16,493	**50,680**	47,798
Regulatory and transfer agent fees	**1,803**	2,074	**29,793**	33,353
Travel	**26,593**	24,200	**39,739**	85,680
less: recovery of expenses	**(900)**	(900)	**(2,700)**	(2,400)
	$ 308,872	$ 471,338	**$ 933,197**	$ 1,384,376

** Included in compensation expense was stock-based compensation in the amount of $62,706 for the nine months ended September 30, 2009 (nine months ended September 30, 2008 – $390,303).

9 Related party transactions

The following related party transactions were in the normal course of operations and measured at the exchange amount, which was the amount established and agreed to by the related parties. The amounts due to related parties were unsecured, non-interest bearing and had no specific terms of repayment.

During the nine months ended September 30, 2009, the Company incurred accounting and management fees (included in professional fees) of $36,000 (nine months ended September 30, 2008 – $34,500) from a private company of which an officer of the Company is also an officer; directors' fees (included in compensation) of $22,500 (nine months ended September 30, 2008 – $19,250); rental income (included as recovery of expenses) of $2,700 (nine months ended September 30, 2008 – $2,400) from a party related to the President and CEO of the Company; and capitalized professional and administrative services in the amount of $55,167 (nine months ended September 30, 2008 – $53,388) from a firm of which an officer of a subsidiary was a partner.

As at September 30, 2009, amounts owing to directors and officers, a private company of which an officer of the Company is also an officer, and a firm of which an officer of a subsidiary was a partner of $76,025 (December 31, 2008 – $317,944).

Other related party transactions had been disclosed in Notes 5, 7(e) and 8.

10 Write-off of accounts payable

During the year ended December 31, 2008, the Company reversed amounts accrued in previous years that were no longer owing.

11 Supplemental cash flow information

a) Net changes in non-cash operating working capital

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	**2009**	2008
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
GST receivable	**$ 1,739**	$ 1,469	**$ 392**	$ 13,524
Prepaid expenses and deposits	**(16,911)**	(111,121)	**27,920**	(27,767)
Accounts payable and accrued liabilities	**(90,878)**	(59,822)	**(220,118)**	(466,429)
Due to related parties	**(2,788)**	31,851	**(241,919)**	36,842
	$ (108,838)	$ (137,623)	**$ (433,725)**	$ (443,830)

b) Other cash flow disclosure

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	**2009**	2008
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest received in cash	**$ 3,816**	$ 44,730	**$ 13,532**	$ 181,427

c) Non-cash financing and investing activities

	Three months ended September 30,		Nine months ended September 30,	
	2009	**2008**	2009	2008
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
VAT receivable	**$ 1,379**	$ (33,233)	**$ 110,180**	$ 175,593
Prepaid expenses and deposits	**$ –**	$ –	**$ 40,326**	$ –
Accounts payable	**$ 98,930**	$ (26,952)	**$ 98,930**	$ 400,149

12 Segmented financial information

As at September 30, 2009 and December 31, 2008, the Company operated in one reportable operating segment, being the exploration of base and precious metals. The net loss for the nine-month period ended September 30, 2009 and for the year ended December 31, 2008 were attributed to Canada. Geographical information was as follows:

	Canada	**Turkey**	**Bermuda**	**September 30, 2009 Consolidated (Unaudited)**
Current assets	**$ 2,307,663**	**$ 200,852**	**$ –**	**$ 2,508,515**
Mineral properties	**–**	**15,608,136**	**–**	**15,608,136**
Leasehold improvements and equipment	**44,524**	**46,881**	**–**	**91,405**
	$ 2,352,187	**$ 15,855,869**	**$ –**	**$ 18,208,056**

	Canada	Turkey	Bermuda	December 31, 2008 Consolidated
Current assets	$ 4,164,074	$ 676,050	$ 19,473	$ 4,859,597
Mineral properties	–	14,493,828	–	14,493,828
Leasehold improvements and equipment	49,138	46,881	–	96,019
	$ 4,213,212	$ 15,216,759	$ 19,473	$ 19,449,444

13 Commitments

As at September 30, 2009, the Company was committed to future minimum office rental payments as follows:

2009	**$ 9,150**
2010	**36,601**
2011	**9,150**
	$ 54,901

14 Subsequent event

In October 2009, the Company loaned $107,205 to directors and an officer of the Company to purchase shares of the Company. The loans are interest-free and repayable within two years.

15 Financial instruments and risk management

Under CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement and Section 3861, Financial Instruments – Disclosure and Presentation, financial instruments are designated into one of the six categories: held-for-trading investments, held-to-maturity investments, loans and receivables, available-for-sale assets, held-for trading liabilities, or other financial liabilities. Financial instruments, included on the balance sheet are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments and liabilities are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, de-recognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financing are expensed in the period incurred.

Financial instruments are exposed to credit, liquidity and market risks. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The fair values of the Company's cash, short-term investments and accounts payables and accrued liabilities approximate their carrying values.

The Company has classified its financial instruments as follows:

Cash	Held-for-trading
Short-term investments	Held-for-trading
Accounts payable and accrued liabilities	Other financial liabilities

(a) Credit risk

The Company's cash and short-term investments are held in large Canadian financial institutions. Short-term investments are composed of financial instruments issued by Canadian banks. These investments mature at various dates over the current operation period. The Company does not have and has never had any asset-backed commercial paper in its short-term investments. The Company's GST and VAT receivable consists primarily of goods and services tax due from the federal government of Canada and value-added tax due from the government of Turkey.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period.

(c) Currency risk

The Company's property interests in Turkey make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments is limited because these investments, although available for sale, are generally held to maturity.

The Company's funds are held primarily in GIC's, the rates for which are fixed for a period not exceeding twelve months. A one-percent change in the interest rate for these instruments would affect the Company by an annualized amount of interest equal to approximately $30,000.

The Company holds most of its funds in Canadian dollars and has the majority of its exploration expenditures in US dollars or Turkish lira. A one-cent change in the Canadian dollar would affect the Company's exploration expenditures equal to $10,000 based on a $1 million program.

16 Management of capital risk

The Company manages its cash and short-term investments, common shares, stock options and warrants as capital (see Note 7). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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, issue new debt, acquire or dispose of assets or adjust the amount of cash and short-term investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

Mediterranean Resources Ltd.

Schedule A

Schedule of Mineral Properties – Capitalized Costs

September 30, 2009 and December 31, 2008

(Expressed in Canadian Dollars)

Yusufeli properties, Turkey

	Balance, December 31, 2007	Costs for the year	Balance, December 31, 2008	**Costs for the nine-month period ended September 30, 2009**	**Balance, September 30, 2009**
				(Unaudited)	**(Unaudited)**
Acquisition costs	$ 1,378,515	$ –	$ 1,378,515	**$ –**	**$ 1,378,515**
Exploration costs					
Assaying and sampling	1,280,589	457,468	1,738,057	**40,670**	**1,778,727**
Drilling	3,740,879	1,413,110	5,153,989	**–**	**5,153,989**
Environmental baseline studies	88,214	149,748	237,962	**58,545**	**296,507**
Field costs	854,795	270,446	1,125,241	**24,542**	**1,149,783**
Geological consulting	1,235,682	1,117,607	2,353,289	**553,803**	**2,907,092**
Geophysics	52,951	31,115	84,066	**–**	**84,066**
Licences, permits and fees	194,999	157,679	352,678	**111,359**	**464,037**
Metallurgy	84,700	55,624	140,324	**66,288**	**206,612**
Office and administrative	633,909	620,975	1,254,884	**107,219**	**1,362,103**
Project supervision	116,063	75,963	192,026	**58,635**	**250,661**
Road construction	170,761	18,132	188,893	**532**	**189,425**
Transportation and travel	207,457	86,447	293,904	**92,715**	**386,619**
	8,660,999	4,454,314	13,115,313	**1,114,308**	**14,229,621**
Total Expenditures	$ 10,039,514	$ 4,454,314	$ 14,493,828	**$ 1,114,308**	**$ 15,608,136**

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Mediterranean Resources Ltd.'s (the "Company's") unaudited consolidated financial statements. The following discussion of the financial position and operating results of the Company should be read in conjunction with the unaudited consolidated financial statements for the nine months ended September 30, 2009 and the audited consolidated financial statements for the year ended December 31, 2008 which have been prepared in accordance with generally accepted accounting principles in Canada. All monetary amounts are in Canadian dollars unless otherwise stated.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR (www.SEDAR.com).

The date of this MD&A is November 3, 2009.

Overall Performance

The Company is in the business of exploring mineral properties and is currently focused on the 100 square kilometre Yusufeli Properties in north-eastern Turkey. Within the properties, two deposits: Corak and Tac, host a NI 43-101 compliant resource estimate which was upgraded in April 2009 as follows:

- Corak – an indicated resource of 630,000 oz Au (grade 0.76 g/t) and an inferred resource of 130,000 oz Au (grade 0.53 g/t) with associated silver-lead-zinc mineralization.
- Tac – an indicated resource of 950,000 oz Au (grade 1.24 g/t) and an inferred resource of 160,000 oz Au (grade 1.56 g/t).

Expressed as a combined estimate, there are 1.58 million oz of indicated and 290,000 oz of inferred gold resources. At Corak, approximately 75% of the resource was upgraded to the indicated category following the successful infill drilling during 2008. Both Corak and Tac remain open to resource upgrades and expansion. Pit shell modelling was applied to the known resources in order to demonstrate conservative economic potential and to aid in the direction of further drilling programs. There are also substantial base metal credits in the Corak and Tac deposits which are not included in these resource estimates. Metallurgical tests to determine the optimal method of metal extraction are on-going.

Further work programs are also being developed for the Celtik and Cevreli areas of the Yusufeli Properties. A drill program undertaken last year at Celtik resulted in a discovery (values up to 18.4 metres of 6.51 g/t Au with 0.9% Cu) which indicates strong potential to build further resources. A drill program to follow up on the Celtik discovery is planned for the fourth quarter of 2009.

Dr. Peter Guest is the qualified person who has reviewed the estimated resource data given above.

The Company has a strong cash position which will enable it to carry out work programs for 2009 in Turkey. Nonetheless, the world-wide economic downturn does affect the Company in terms of seeking additional financing. Therefore, the Company, while being optimistic because of the relatively strong prices for gold and the quality of its properties, is proceeding with prudence and caution to conserve working capital while at the same time proceeding in developing its more advanced areas of exploration. The Company is also actively pursuing joint venture and other possibilities and is presently in negotiations with several parties.

Selected Annual Financial Information

The following table sets out selected consolidated financial information for the last three completed fiscal years:

	As at or for the year ended December 31,		
	2008	2007	2006
Revenues	$ –	$ –	$ –
Corporate general and administrative expenses	1,759,363	2,880,812	1,182,701
Restructuring costs	–	–	(18,413)
Net loss for the year	1,133,482	2,638,893	870,812
Loss per share – basic and diluted	0.01	0.04	0.02
Total assets	19,449,444	20,417,758	6,478,010
Long-term liabilities	–	–	–
Shareholders' equity (deficiency)	18,816,135	19,488,917	5,905,238
Cash dividends declared per-share	–	–	–

Summary of Quarterly Results

The following tables set out selected results of operations for each of the eight most recently completed quarters:

	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008
Revenues	$ –	$ –	$ –	$ –
Loss	(318,384)	(284,872)	(338,476)	(286,030)
Loss per share – basic	(0.00)	(0.00)	(0.00)	(0.00)
Loss per share – diluted *	(0.00)	(0.00)	(0.00)	(0.00)

	Sep 30, 2008	Jun 30, 2008	Mar 31, 2008	Dec 31, 2007
Revenues	$ –	$ –	$ –	$ –
Loss	(403,162)	(11,802)	(432,488)	(969,641)
Loss per share – basic	(0.00)	(0.00)	(0.00)	(0.01)
Loss per share – diluted *	(0.00)	(0.00)	(0.00)	(0.01)

* Diluted loss per share equals basic loss per share as options and warrants are anti-dilutive.

Results of operations

Nine months ended September 30, 2009 compared to nine months ended September 30, 2008

For the nine months ended September 30, 2009, the Company recorded a loss of $941,732 compared to a loss of $847,452 for the same period in 2008, an increase of $94,280. This increase in loss was the result of (i) a decrease in interest revenue of $172,352 due to the decrease in cash held by the Company in 2009 versus 2008; (ii) a write-off of accounts payable of $329,138 in 2008 versus none in 2009; and (iii) an increase in foreign exchange loss of $43,969 due to the weakening of the Turkish lira against the US dollar. The increases in losses from items (i), (ii) and (iii) were offset by (iv) a decrease in stock-based compensation of $327,597 due to a smaller number of options being vested in 2009 versus 2008; plus (v) a decrease in corporate general and administrative expenses ("corporate G&A expenses") (net of stock-based compensation) of $123,582. The decrease in corporate G&A expenses was

mainly a result of (vi) savings of $102,285 in shareholder communications and travel expenses due to less investor relations activities in 2009 relative to 2008; plus (vii) savings of $67,235 in office, insurance and sundry expenses due to less general office activities in 2009 relative to 2008. The total savings from (vi) and (vii) were offset by (viii) an increase of $22,303 in consulting and professional fees due to the increased level of negotiations with potential business partners in 2009 relative to 2008; and (ix) an increase of $24,613 in compensation expenses mostly relating to additional staffing.

Three months ended September 30, 2009 compared to three months ended September 30, 2008

For the three months ended September 30, 2009, the Company recorded a loss of $318,384 compared to a loss of $403,162 for the same period in 2008, a decrease in loss of $84,778. This decrease in loss was mainly the result of a a decrease in stock-based compensation of $215,230 due to a smaller number of options being vested in 2009 versus 2008; offset by (i) a decrease in interest revenue of $45,150 due to the decrease in cash held by the Company in 2009 versus 2008; (ii) an increase in foreign exchange loss of $32,538 due to the weakening of the Turkish lira against the US dollar; and (iii) an increase of $47,594 in consulting and professional fees due to the increased level of negotiations with potential business partners in 2009 relative to 2008.

Mineral Properties

To September 30, 2009, the Company had invested in mineral properties a total of $15,608,136 (December 31, 2008 – $14,493,828) of which $1,378,515 was paid in the form of shares of the Company issued pursuant to the option agreement relating to the Yusufeli properties.

During the nine months ended September 30, 2009, the Company incurred $1,114,308 (budget – $1,508,000) in exploration expenditures on the Turkish properties, comprising $744,380 (budget - $1,121,000) on assaying, geological consulting, environmental baseline studies and related costs; $111,359 (budget - $106,000) on licensing, permits and legal fees and $258,569 (budget - $281,000) in project supervision, transportation and travel, and office and administrative costs. The result for the period was a favourable variance of approximately $394,000 consisting mainly of work that had been budgeted but not done due to a temporary suspension in granting drill permits throughout Turkey.

Liquidity

The Company had working capital of $2,237,568 as at September 30, 2009 compared to $4,226,288 as at December 31, 2008, a decrease of $1,988,720 mainly due to cash used in operating activities of $1,281,568.

During the nine months ended September 30, 2009, total assets decreased by $1,241,388, from $19,449,444 at December 31, 2008 to $18,208,056 at September 30, 2009 due to regular operating activities of the Company during the nine-month period. Exploration expenditures increased by $1,114,308 from $14,493,828 as at December 31, 2008 to $15,608,136 as at September 30, 2009 (see "Mineral Properties" section). Short-term investments and interest receivable decreased by $1,926,393, from $3,952,057 as at December 31, 2008 to $2,025,664 as at September 30, 2009 to finance regular operating and investing activities. The Company invested its funds in guaranteed investment certificates issued by Canadian chartered banks with a weighted average yield of approximately 1.49%. The Company did not have and had never had any short-term investments in asset-backed commercial paper. Receivables, prepaid expenses and deposits decreased by $178,818, from $446,846 as at December 31, 2008 to $268,028 as at September 30, 2009, due mainly to the receipt of refunds of value added tax ("VAT") during the nine months ended September 30, 2009.

Contractual Obligations

As at September 30, 2009, the Company was committed to future minimum office rental payments totalling $54,901 as follows: 2009 – $ 9,150; 2010 – $36,601 and 2011 – $9,150.

Capital Resources

The Company's authorized capital consists of an unlimited number of common shares without par value. As at September 30, 2009 and December 31, 2008, the Company had 87,219,248 issued and outstanding common shares.

As at September 30, 2009, the Company had 6,080,000 options (December 31, 2008 – 11,531,031 including 3,191,031 agents' options) outstanding with exercise prices ranging from $0.20 to $0.47 per share and expiring between February 27, 2011 and July 4, 2013; and no warrants (December 31, 2008 – 22,204,016) outstanding for the purchase of shares.

As at November 3, 2009, the Company had 87,219,248 shares outstanding and 93,299,248 shares outstanding on a fully diluted basis.

Critical Accounting Estimates

The Company capitalized all costs relating to the acquisition, exploration and development of its mineral properties. All income from mineral property options is credited against the cost of the property. Should commercial production commence, these costs will be amortized. When a property is abandoned or when there is indication of impairment, all related costs are charged to operations.

The recent economic downturn warranted an assessment of the estimated recoverable amount for the Company's mineral properties. Management applied a market approach in its review using data from third party reports on the Company's gold reserves and "resource-in-the-ground" prices for property transactions in the geographical area. The approach resulted in a range of estimated recoverable amounts that were all in excess of the carrying amount of the Company's properties. Based on this information, management concluded that its properties were not impaired.

The Company compares the carrying value of its leasehold improvements and equipment to estimated net recoverable amounts. Should the assets' carrying value exceed its estimated recoverable amount, all amounts related to the impairment are charged to operations.

The Company's financial assets and liabilities are cash and cash equivalents, short-term investments and interest receivable, GST and VAT receivable, prepaid expenses and deposits, and accounts payable and accrued liabilities. The fair values of the financial instruments are estimated to be their carrying values due to their short-term nature.

CICA Handbook section 3870 Stock-Based Compensation and Other Stock-Based Payments establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. Compensation expense is determined using the Black-Scholes Option Pricing Model based on estimated fair values of all stock-based awards at the date of grant and is expensed to operations over each award's vesting period. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Recently adopted accounting pronouncements

(a) The CICA issued Section 3064 – Goodwill and Intangible Assets replacing Section 3450, Research and Development Costs. The new standard, which the Company will adopt in fiscal 2009, establishes guidelines for the recognition, measurement, presentation and disclosure of research and development costs. Management is in the process of assessing the impact of this new standard and the impact on the Company's consolidated financial statements has not yet been determined.

(b) Credit risk and fair value of financial assets and financial liabilities

In January 2009, the CICA issued the Emerging Issues Committee ("EIC") Abstract EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", effective for interim and annual financial

statements ending on or after January 20, 2009. Earlier adoption of this abstract is permitted. EIC-173 provides further information on the determination of the fair value of financial assets and financial liabilities under Section 3855, "Financial Instruments – Recognition and Measurement." It states that an entity's own credit and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 should be applied retroactively, without restatement of prior periods, to all financial assets and liabilities measured at fair value. The Company adopted this abstract during the first quarter of the 2009 fiscal year and this standard did not have a material impact on the Company's financial statements.

Future accounting pronouncements

(a) Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued the new handbook Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with US GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting for ownership interest in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company is currently considering the impact of adopting these pronouncements on its consolidated financial statements in fiscal 2011 in connection with the conversion to IFRS.

(b) Business combinations

In January 2009, the CICA issued the new handbook Section 1582, "Business Combinations" effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with US GAAP and IFRS and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquire, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. Although the Company is considering the impact of adopting this pronouncement on the consolidated financial statements, it will be limited to any future acquisitions beginning in fiscal 2011.

(c) Convergence of Canadian GAAP with IFRS

Canada's Accounting Standards Board ratified a plan that will result in Canadian GAAP being converged with International Financial Reporting Standards ("IFRS") by 2011. Management has performed a preliminary analysis and highlighted areas where its current Canadian accounting practices differ from IFRS. The impact on the Company's consolidated financial statements has not yet been determined.

Risk Factors

The Company is engaged in the exploration for mineral deposits. These activities involve significant risks which even with careful evaluation, experience and knowledge may not, in some cases, be eliminated. The Company's success depends on a number of factors, many of which are beyond its control. The primary risk factors affecting the Company include inherent risks in the mining industry, metal price fluctuations and operating in foreign countries and currencies.

(a) Inherent risks within the mining industry

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure and use, environmental protection and reclamation and closure obligations could also have a profound impact on the economic viability of a mineral deposit.

Mining activities also involve risks such as unexpected or unusual geological operating conditions, floods, fires, earthquakes, other natural or environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or for other reasons. The Company does not currently maintain insurance against political or environmental risks. Should any uninsured liabilities arise, they could result in increased costs, reductions in profitability, and a decline in the value of the Company's securities.

There is no assurance at this time that the Company's current mineral properties will be economically viable for development and production.

(b) Prices for gold and base metals

Metals prices are subject to volatile price fluctuations and may have a direct impact on the future commercial viability of the Company's exploration properties. Price volatility results from a variety of factors, including global consumption and demand for metals, international economic and political trends, fluctuations in the US dollar and other currencies, interest rates, and inflation. The Company has not hedged any of its potential future gold sales.

(c) Foreign currency risks

The Company uses the Canadian dollar as its measurement and reporting currency, and therefore fluctuations in exchange rates between the Canadian dollar and other currencies may affect the results of operations and financial position of the Company. The Company does not currently have any foreign currency or commercial risk hedges in place.

The Company raises the majority of its equity financings in Canadian dollars while expenditures related to foreign operations are predominately incurred in US dollars. Fluctuations in the exchange rates between the Canadian dollar, US dollar and Turkish New Lira may impact the Company's financial condition.

(d) Risks Associated with Foreign Operations

The Company's investments in foreign countries such as Turkey carry certain risks associated with different political, business, social and economic environments. The Company is currently evaluating gold and base metal properties in Turkey and elsewhere in the Mediterranean region, but will undertake new investments only when it is satisfied that the risks and uncertainties of operating in different cultural, economic and political environments are manageable and reasonable relative to the expected benefits.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance and regulatory characteristics of property rights in certain foreign countries.

Future government, political, legal or regulatory changes in the foreign jurisdictions in which the Company currently operates or plans to operate could affect many aspects of the Company's business, including title to properties and assets, environmental protection requirements, labor relations, taxation, currency convertibility, repatriation of profits or capital, the ability to import necessary materials or services, or the ability to export

produced materials.

Related Party Transactions

During the nine months ended September 30, 2009, the Company incurred accounting and management fees (included in professional fees) of $36,000 (nine months ended September 30, 2008 – $34,500) from a private company of which an officer of the Company is also an officer; directors' fees (included in compensation) of $22,500 (nine months ended September 30, 2008 – $19,250); rental income (included as recovery of expenses) of $2,700 (nine months ended September 30, 2008 – $2,400) from a party related to the President and CEO of the Company; and capitalized professional and administrative services in the amount of $55,167 (nine months ended September 30, 2008 – $53,388) from a firm of which an officer of a subsidiary was a partner.

As at September 30, 2009, amounts owing to directors and officers, a private company of which an officer of the Company is also an officer, and a firm of which an officer of a subsidiary was a partner of $76,025 (December 31, 2008 – $317,944).

Subsequent event

In October 2009, the Company loaned $107,205 to directors and officer of the Company to purchase shares of the Company. The loans are interest-free and repayable within two years.

Financial instruments and risk management

Under CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement and Section 3861, Financial Instruments – Disclosure and Presentation, financial instruments are designated into one of the six categories: held-for-trading investments, held-to-maturity investments, loans and receivables, available-for-sale assets, held-for trading liabilities, or other financial liabilities. Financial instruments, included on the balance sheet are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments and liabilities are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, de-recognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financing are expensed in the period incurred.

Financial instruments are exposed to credit, liquidity and market risks. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

The fair values of the Company's cash, short-term investments and accounts payables and accrued liabilities approximate their carrying values.

The Company has classified its financial instruments as follows:

Cash	Held-for-trading
Short-term investments	Held-for-trading
Accounts payable and accrued liabilities	Other financial liabilities

(a) Credit risk

The Company's cash and short-term investments are held in large Canadian financial institutions. Short-term investments are composed of financial instruments issued by Canadian banks. These investments mature at various dates over the current operation period. The Company does not have and has never had any asset-backed commercial paper in its short-term investments. The Company's GST and VAT receivable consists primarily of goods and services tax due from the federal government of Canada and value-added tax due from the government of Turkey.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period.

(c) Currency risk

The Company's property interests in Turkey make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments is limited because these investments, although available for sale, are generally held to maturity.

The Company's funds are held primarily in GIC's, the rates for which are fixed for a period not exceeding twelve months. A one-percent change in the interest rate for these instruments would affect the Company by an annualized amount of interest equal to approximately $30,000.

The Company holds most of its funds in Canadian dollars and has the majority of its exploration expenditures in US dollars or Turkish lira. A one-cent change in the Canadian dollar would affect the Company's exploration expenditures equal to $10,000 based on a $1 million program.

Forward looking statements

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward looking statements are usually identified by the use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates" or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts, and include but are not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the markets for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if

underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Forward looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management of the Company, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2008, as required by Canadian securities law. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of September 30, 2009, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws were recorded, processed, summarized and reported within the time period specified by those laws and that material information was accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for accurate disclosure to be made on a timely basis.

Changes in Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Chief Executive Officer and Chief Financial Officer have concluded that there has been no change in the Company's internal control over financial reporting during the nine-month period ended September 30, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. As of September 30, 2009, the Company's internal control over financial reporting was effective.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAE's") such as the Company. The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAE's with a December 31 year-end, the first unaudited interim financial statements under IFRS will be the quarter ending March 31, 2011, with comparative financial information for the quarter ended March 31, 2010. The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ended December 31, 2010. This also means that all the opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the January 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the March 31, 2011 unaudited interim financial statements.

The Company intends to adopt these requirements as set out by the AcSB and other regulatory bodies. At this time, the impact of adopting IFRS cannot be reasonably quantified. Nonetheless, the Company has identified several areas relating to IFRS that could materially affect the Company:

(a) Impairment: Upon conversion to IFRS, an assessment of whether there is any impairment to mineral properties will have to be made.

(b) Mineral resources: At present, the issue of capitalizing exploration expenditures under GAAP appears to be acceptable under IFRS.

(c) Joint ventures: The Company is pursuing possible joint ventures and as such, IFRS will be applicable using the equity method of accounting.

(d) Foreign currency: The adoption of IFRS will involve the identification of a functional currency. At present, it appears that the US dollar is the Company's functional currency because any sales prices and costs will be most influenced by the US dollar. If so, the Company must then record all transactions retrospectively in US dollars. An exemption is allowed whereby any cumulative translation differences prior to transition date will be deemed to be zero.

(e) Income taxes: Although there are many areas where GAAP is similar to IFRS, there are differences as well, such as the differentiation between deferred tax assets and deferred tax liabilities; and whether deferred tax is to be charged to the income statement, equity or goodwill.

The majority of the Company's audit committee are familiar with general issues relating to IFRS. The Company's staff, in conjunction with its CFO, have adequate resources with which to carry out the conversion, as well as to carry on the day-to-day operations of the Company. The Company's staff is taking professional development courses relating to IFRS conversion.

At present, the Company has no contracts, debt covenants, capital requirements or compensation contracts that may be affected by changes to financial reporting because of IFRS.

The actual conversion work will occur in 2009 and 2010, in anticipation of the preparation of the January 1, 2010 balance sheet that will be required for comparative purposes for all periods ending in 2011.